HAP SENG

Creating
Value
Together

ANNUAL REPORT 2017

HAP SENG CONSOLIDATED BERHAD

ABOUT US

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

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

42ND

ANNUAL GENERAL MEETING

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

Wednesday
30 May 2018
at 10am

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.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

CHEAH YEE LENG
Executive Director

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

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

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

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

DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH
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
E-mail : inquiry@hapseng.com
Website : www.hapseng.com

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
United Overseas Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad
CIMB Bank Berhad
Affin Bank Berhad
RHB Bank Berhad
OCBC Bank (Malaysia) Berhad
DBS Bank Ltd

GROUP

Hap Seng Consolidated Berhad together with its subsidiaries

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2013	**2014**	**2015**	**2016**	**2017**
INCOME (RM'000)					
Revenue	3,486,747	3,768,049	4,393,338	4,891,714	**5,288,733**
Profit before interest and tax	866,589	1,092,223	1,221,408	1,364,423	**1,528,368**
Profit before tax	801,581	1,024,625	1,117,596	1,244,935	**1,395,388**
Profit attributable to owners of the Company	588,257	753,467	908,473	1,000,960	**1,103,902**
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	7,108,109	7,785,568	10,034,932	11,725,461	**12,222,928**
Net assets	3,353,874	3,951,775	4,242,648	5,490,676	**5,764,316**
Current assets	3,065,574	3,303,173	3,951,443	5,105,674	**5,361,909**
Liabilities					
Current liabilities	2,214,740	2,476,372	3,114,414	3,433,667	**3,973,479**
Borrowings	2,498,573	2,618,872	4,191,936	4,425,247	**4,478,875**
Borrowings (Net of Cash)	1,865,913	2,118,114	3,678,562	3,386,227	**3,739,628**
Shareholders' Equity					
Paid-up share capital	2,205,709	2,226,779	2,249,731	2,489,682	**3,519,554**[a]
Shareholders' equity	3,353,874	3,951,775	4,242,648	5,490,676	**5,764,316**
Number of shares					
- Weighted average share in issue net of treasury shares ('000)	2,049,324	2,054,505	2,149,824	2,362,902	**2,489,679**
- Shares in issue net of treasury shares ('000)	2,001,678	2,137,597	2,156,672	2,489,680	**2,489,676**
SHARE INFORMATION					
Per Share					
Basic earnings (sen)[b]	28.70	36.67	42.26	42.36	**44.34**
Net assets (RM)[c]	1.68	1.85	1.97	2.21	**2.32**
Dividend (sen)	16.00	25.00	30.00	35.00	**35.00**
Share price					
- Year high (RM)	3.05	4.99	6.70	8.93	**9.79**
- Year low (RM)	1.54	2.66	3.55	6.40	**8.53**
- As at 31 December (RM)	3.01	4.68	6.48	8.86	**9.55**
Market capitalisation (RM'000)	6,025,051	10,003,954	13,975,235	22,058,561	**23,776,406**
Trading volume ('000)	444,469	503,499	412,039	362,662	**101,444**
FINANCIAL RATIOS					
Return on total assets (%)	8.28	9.68	9.05	8.54	**9.03**
Return on shareholders' equity (%)	17.54	19.07	21.41	18.23	**19.15**
Current ratio (times)	1.38	1.33	1.27	1.49	**1.35**
Gearing ratio (times)	0.74	0.66	0.99	0.81	**0.78**
Net gearing ratio (times)[d]	0.56	0.54	0.87	0.62	**0.65**

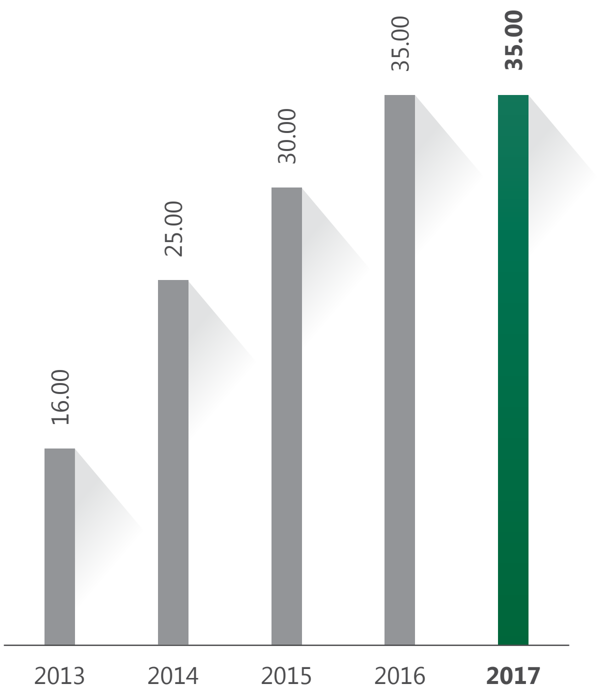
[a] *The new Companies Act 2016 ("Act") which was effective from 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Pursuant to the transitional provisions as set out in Section 618(2) of the Act, amounts standing to the credit of the share premium and capital redemption reserve accounts of RM903,605,000 and RM126,267,000 respectively became part of the share capital.*

[b] *Based on weighted average number of shares in issue net of treasury shares ('000)*

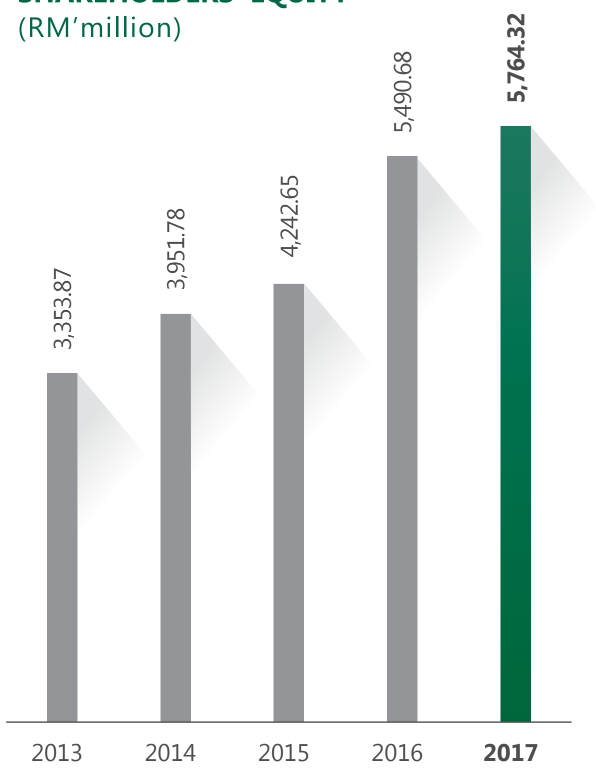
[c] *Based on number of shares in issue net of treasury shares ('000)*

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

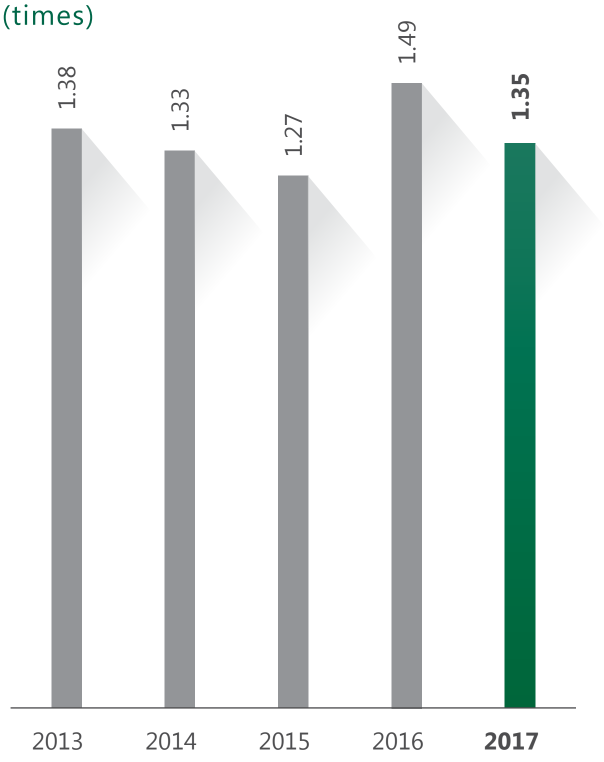
DIVIDEND PER SHARE
(sen)



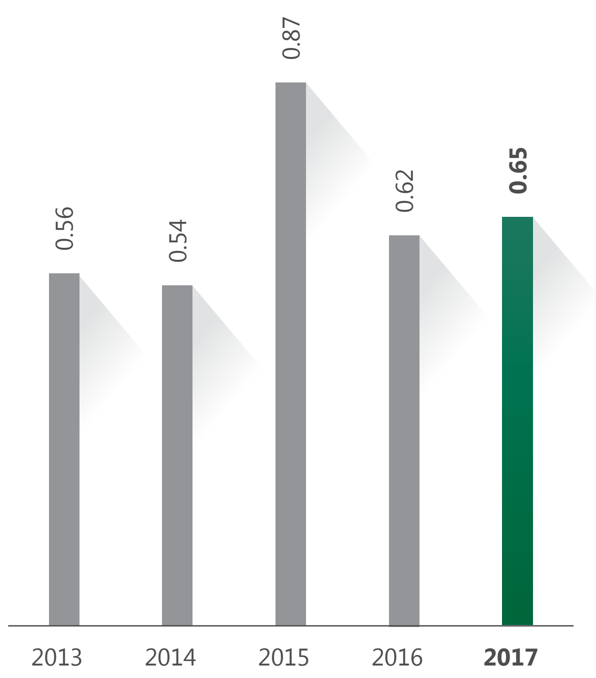
SHAREHOLDERS' EQUITY
(RM'million)



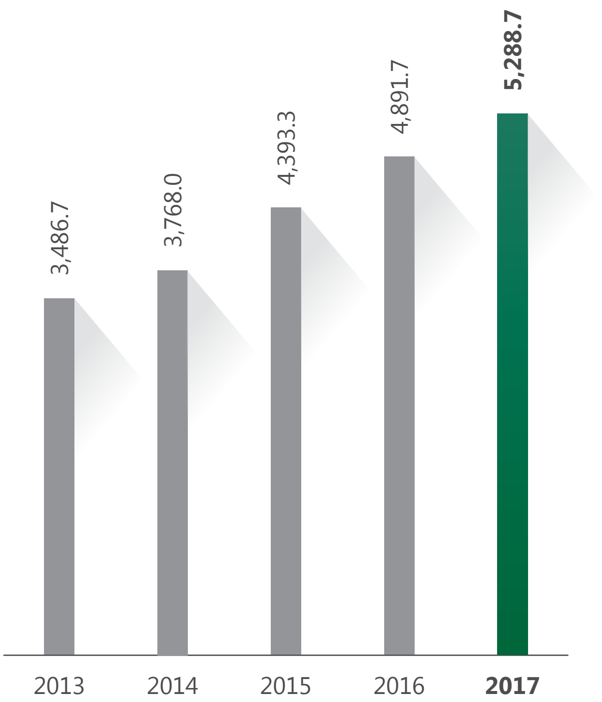
CURRENT RATIO
(times)



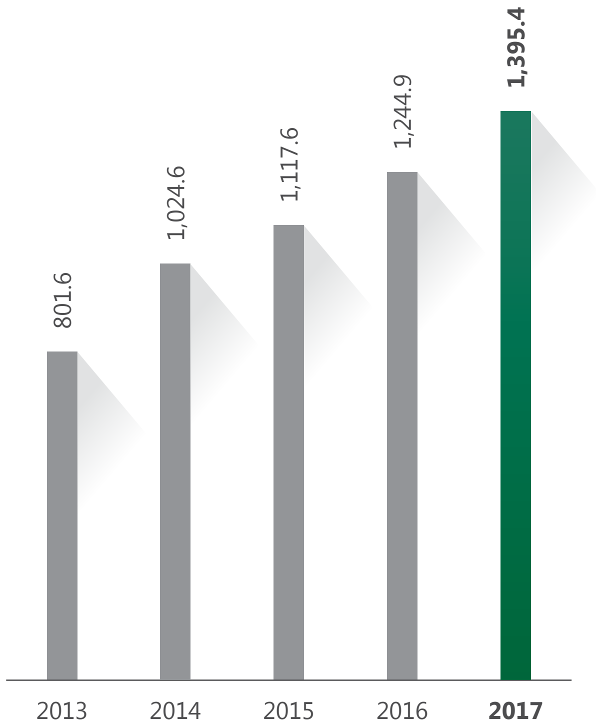
NET GEARING RATIO
(times)



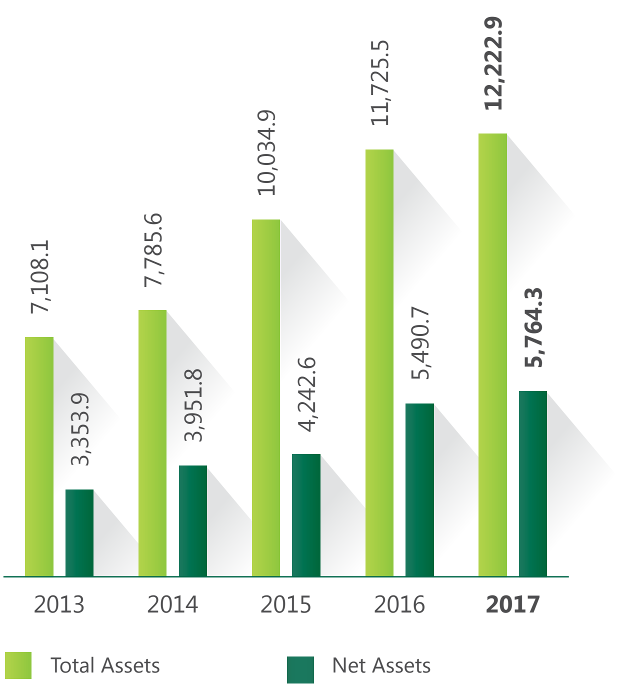
REVENUE
(RM'million)



PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE

MANAGEMENT DISCUSSION & ANALYSIS

Group Revenue

RM
5,288.7 million
in year 2017

RM4,891.7 million
in year 2016

Group's Earnings per Share

44.34 sen
in year 2017

42.36 sen
in year 2016

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's operations are predominantly in Malaysia, with market presence in 5 countries in the region, namely Singapore, Indonesia, Thailand, China and Australia.

VISION

Creating Value Together

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

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

STRATEGIES IN CREATING VALUE

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

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

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

MARKET LANDSCAPE

The Malaysian economy performed strongly in 2017, recording a Gross Domestic Product (GDP) growth of 5.9% (2016: 4.2%) primarily driven by higher private sector demand as well as a strong rebound in gross exports growth. Crude oil prices strengthened in 2017 with Brent prices ending the year at USD65 per barrel from USD55 per barrel in 2016.

Headline inflation for the year averaged higher at 3.7% (2016: 2.1%), leading to concerns of higher costs of living.

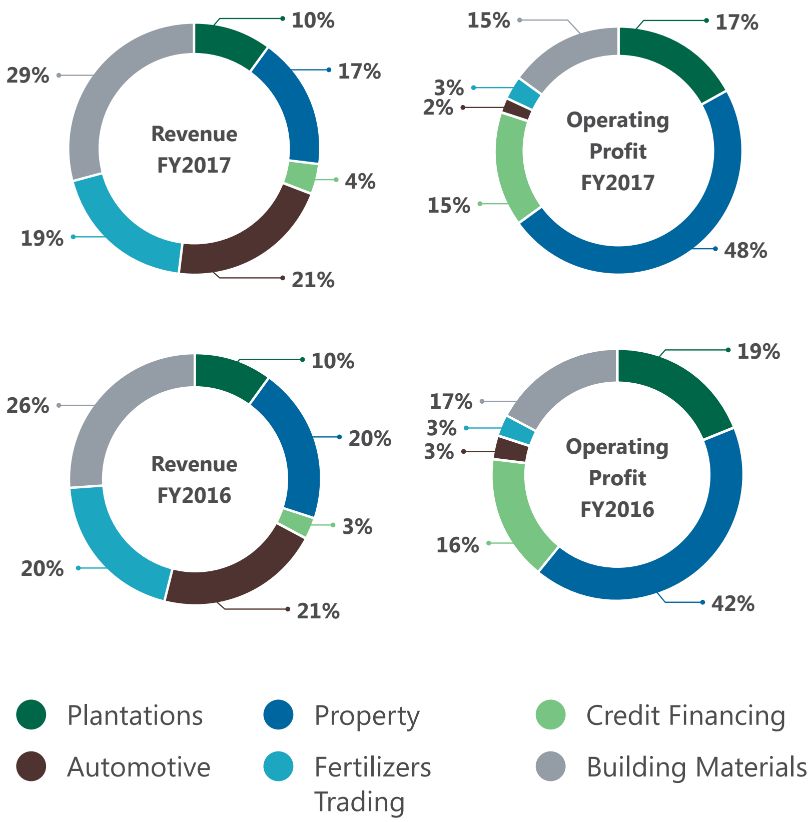
FINANCIAL REVIEW

The Group achieved an 8% increase in revenue to RM5,288.7 million (2016: RM4,891.7 million), with almost all its core businesses recording a year-on-year growth. Correspondingly, the Group's profit after tax for financial year (FY) 2017 grew by 11% to RM1,182.4 million (2016: RM1,065.4 million).

As a result of the above, the Group's earnings per share (EPS) improved by 5% to 44.34 sen (2016: 42.36 sen). 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 a total dividend of 35 sen per share for the year (2016: 35 sen per share), representing a pay-out ratio of approximately 79%.

SEGMENTAL PERFORMANCE HIGHLIGHTS

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



PLANTATIONS

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

MARKET CONDITION

Palm oil production in Malaysia recovered strongly in the 2nd half of 2017 after being adversely affected in the 1st half of 2017 by the EL Nino weather phenomenon. Palm oil production for the year increased by 15% to 19.92 million tonnes as compared to 17.32 million tonnes in 2016. This led to a record high closing stock of 2.73 million tonnes at the end of 2017 as compared to 1.67 million tonnes in 2016.

In the 1st half of 2017, higher exports due to robust demand for palm oil and the limited supply due to low production provided good support to palm oil prices which rallied as high as RM3,268 per tonne. In the 2nd half of 2017, the palm oil prices retreated due to the recovery in production and high stock levels. Crude Palm Oil (CPO) price closed the year at an average of RM2,783 per tonne, an increase of 4.9% as compared to RM2,653 per tonne in 2016.

MANAGEMENT STRATEGIES

Key Market

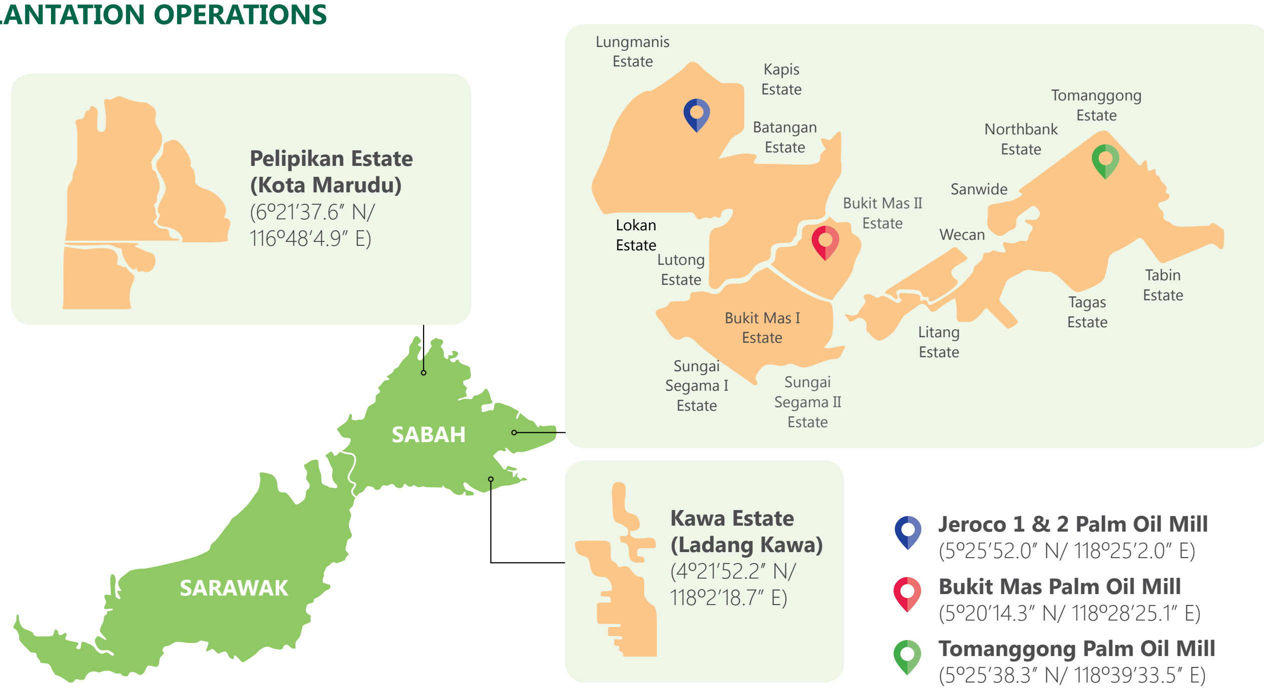
The division sells its palm products generally through spot sales and forward contracts basis. Approximately 78% of the sales were locally delivered to refiners within Malaysia with the balance exported on a free-on-board basis.

Strategies in Creating Value

The division adheres to high standards of agriculture practices to maximise yield per hectare on a sustainable basis. These include maintaining a consistent replanting policy to ensure the division achieves an optimum average palm age profile.

The division, as a member of the RSPO, is fully committed to its sustainability initiatives which are enshrined in the RSPO Principles and Criteria.

PLANTATION OPERATIONS



FINANCIAL REVIEW

The division's revenue for the financial year under review increased by 10% to RM555.1 million (2016: RM503.4 million). Operating profit increased by 7% over the previous financial year to RM181.5 million (2016: RM170.0 million).

	FY2017	FY2016
Sales Volume (tonne)	**158,567**	151,895
Average Price Realization (RM per tonne)		
- Crude Palm Oil	**2,885**	2,643
- Palm Kernel	**2,560**	2,564
Sabah Average		
- Crude Palm Oil	**2,800**	2,658
- Palm Kernel	**2,398**	2,414
CPO Production Cost* (RM per tonne)	**1,315**	1,159

** excluding replanting and after taking into account palm kernel credits*

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2017, the division had a total planted area of 36,103 hectares (2016: 36,145 hectares) out of a total area of 40,279 hectares. Of the total planted area, approximately 89% or 32,023 hectares (2016: 32,374 hectares) were mature areas, with the average age of 15.3 years (2016: 15.3 years).

For FY2017, the division had 3,934 hectares of immature oil palm out of which 1,097 hectares were expected to mature in 2018. The division replanted 1,412 hectares during the 2017 financial year.

Milling Operations

The division's milling operation is undertaken by four mills that have a combined milling capacity of 180 FFB tonnes per hour. The division's mills, namely Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 69% of the total milling capacity throughout 2017 which is marginally lower than previous year (2016: 70%) mainly due to lower FFB production.

The division has successfully commissioned its first biogas plant located in its Jeroco Palm Oil Mill 1 in March 2017 as part of the division's commitment to reduce carbon emissions.

Sustainability and Food Safety Certification

The division has obtained RSPO certification and International Sustainability and Carbon Certification EU (ISCC EU) certification for most of its operations.

As global concerns about food safety continue to grow, all the division's mills are Hazard Analysis and Critical Control Points (HACCP) certified.

The division also supports the national sustainability scheme and has achieved the first Malaysian Sustainable Palm Oil (MSPO) certification for Pelipikan Estate on 1 September 2017.

SHORT AND LONG-TERM GOALS

The division will continue its effort to maintain its status as a sustainable palm oil producer. It will continue its MSPO certification process to achieve 100% MSPO certification for all its operations by 2018.

The division will also continue with its efforts to reduce carbon emission within the plantation with the commencement of installing its second biogas project in the Bukit Mas Palm Oil Mill.

The division is committed to further expand its planted area. To this end, the division has entered into a conditional agreement to acquire a majority stake in Kretam Holdings Berhad (KHB), a listed plantation company in Bursa Malaysia. KHB's estates are located in the vicinity of the division's estates and this proposed acquisition, if completed, will increase the division's total planted area by approximately 19,623 hectares to 55,726 hectares.

OUTLOOK

Oil palm cultivation continues to be the most efficient oil crop in terms of land use. It also has the highest yield compared to other oil crop per hectare of land use, yielding approximately 3.8 tonnes of oil per hectare per annum as compared to soybean, the closest competitive oil crop, at only approximately 0.5 tonnes per hectare per annum.

Global palm oil production has increased from 15.2 million tonnes in 1995 to 62.6 million tonnes in 2015, making it the highest production volume of all vegetable oils.

Global palm oil consumption also grew in the same period from 14.6 million tonnes to 61.1 million tonnes, making it the most consumed oil in the world. China, India and the European Union are the largest consumers of palm oil accounting for 47.9% of global imports.

Oil palm is also one of the most versatile oil crop with both food and non-food applications. It is widely used, in refined form, in non-food products such as detergent, cosmetics, lubricants and printing ink. In addition, in its usage for biofuel, palm oil is regarded as carbon neutral as it does not increase the level of carbon dioxide in its combustion process as compared to fossil fuel.

With the growth in world population, with China and India continue to be the most populated countries in the world making up approximately 37% of the world population, this augur well for the long-term prospect of palm oil.

The division believes in the long-term viability of the palm oil industry as demand for palm oil continues to grow, supported by the versatility of the palm oil in its use. Accordingly, the division is positive in its outlook and will continue to develop and expand its business.

PROPERTY INVESTMENT & DEVELOPMENT

The Property Investment & Development Division is an established property developer in Sabah and the Klang Valley with its investment properties mainly in the central business districts of Kuala Lumpur (KL) and Kota Kinabalu (KK).

MARKET CONDITION

Overall property market in Malaysia remained soft with mild growth largely supported by improved domestic economic conditions.

Statistics from the National Property Information Centre ("NAPIC") showed that the real estate transaction volume in Malaysia dropped by 4.3% in the first nine months of 2017 as compared to the corresponding period in 2016.

In the Klang Valley, the number of residential transactions in the first nine months of 2017 decreased by 4.2%. In Sabah, the number of residential transactions increased by 26.3% during the same period.

As at third quarter 2017, KL has an existing office space of 8.2 million square meters with an additional 0.7 million square meters of incoming supply. Average occupancy rate of purpose-built office buildings in KL stood at 80.4% in the third quarter of 2017.

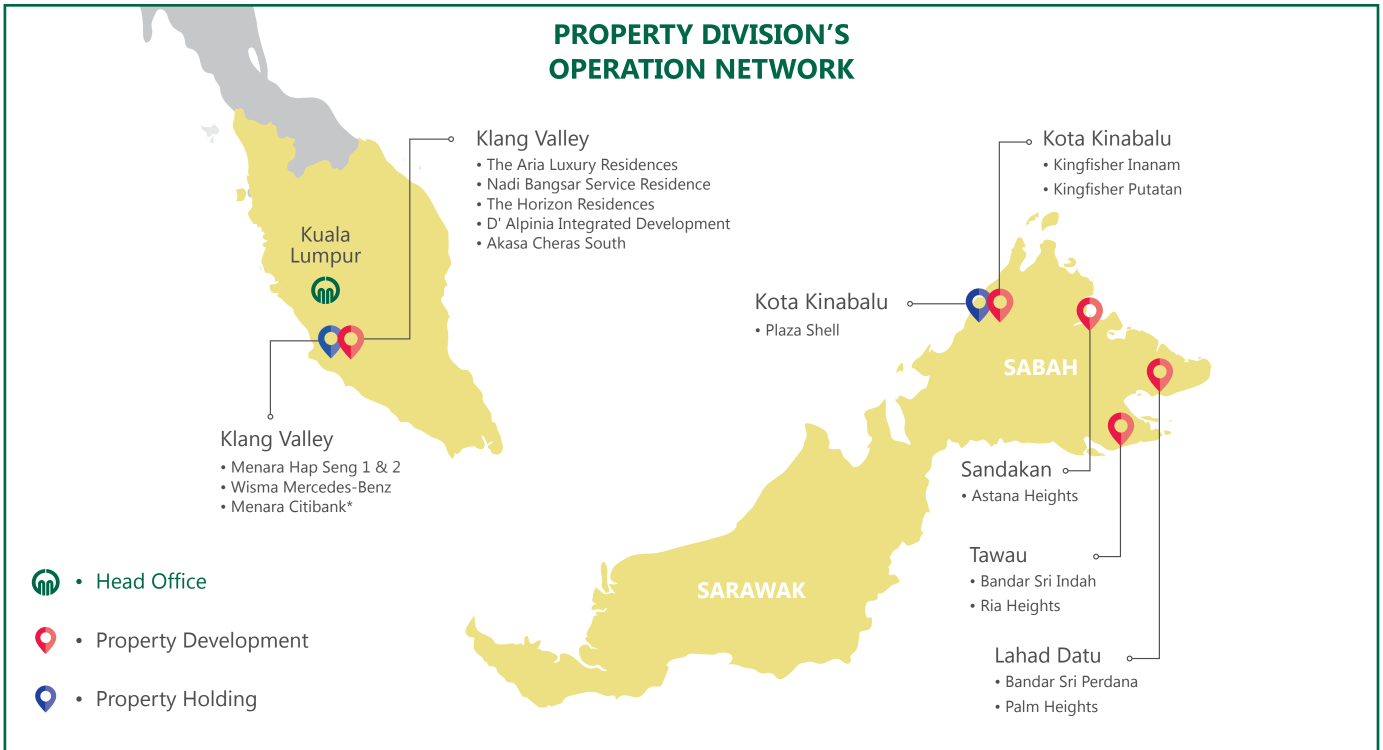
The office space in Kota Kinabalu stood at 0.5 million square meters as at third quarter 2017, with occupancy rate maintaining at 88.2%.

MANAGEMENT STRATEGIES

The division will continue to focus on property development projects in strategic locations in the Klang Valley and Sabah, in particular, locations with enhanced accessibility via the MRT lines and the Pan Borneo Expressway.

The division is also focusing on affordable housing in Selangor, Tawau, Lahad Datu and Sandakan to meet the rising demand for affordable residential units.

For office buildings, Kuala Lumpur continues to be the preferred address as it is the fastest growing metropolitan in Malaysia, both in terms of population and economy. Thus, well-maintained and new Grade A green offices with MSC status in choice locations of Kuala Lumpur served by public transport will continue to enjoy good occupancy rates.



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

OPERATIONAL PERFORMANCE

For 2017, the division recorded a revenue of RM938.4 million (2016: RM1,041.8 million). The lower revenue recorded was mainly due to lower project revenue as most of the major projects in 2017 were at their early stage of development.

The 2017 project revenue was mainly contributed by Bandar Sri Indah, Ria Heights, Astana Heights, Kingfisher Inanam, Kingfisher Putatan and Aria Luxury Residences.

Rental income from its investment properties increased to RM71.7 million (2016: RM65.7 million), contributed mainly by improved performance of Menara Hap Seng 2 and Wisma Mercedes-Benz.

Despite the lower revenue for the year, the division's operating profit increased to RM520 million (2016: RM361.7 million). This is due to the sale of certain non-strategic lands held for development and a positive movement in fair value adjustment of its investment properties. The sale of non-strategic lands was in line with the continuation of the division's strategy to reposition its property developments in the prime locations of the Klang Valley.

PROPERTY DEVELOPMENT

WEST MALAYSIA

The Aria Luxury Residences

The Aria Luxury Residences (Aria) is a 45-storey service residence comprising two blocks of residential towers with 598 freehold residential units and an expected Gross Development Value (GDV) of RM1.1 billion.

This service residence is strategically located along Jalan Tun Razak between the Singaporean and Japanese embassies.

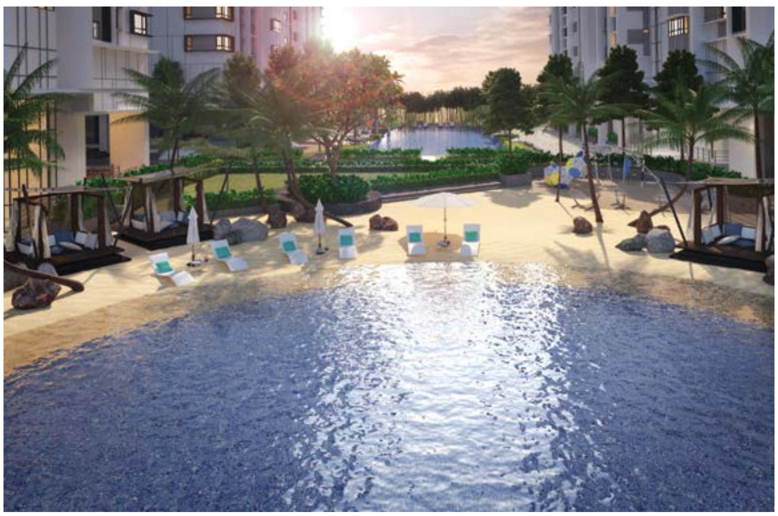
Its 1.5-acre leisure space offers facilities such as a swimming pool, splash and play areas for kids, jacuzzi and a hydro gym pool. The prestigious Royal Selangor Golf Club provides green vistas to residents exercising in the full glass-fronted gym; and aerobic and yoga space.

In addition, the top two floors of Aria are devoted to state-of-the-art amenities like a mini library space, games room, TV lounge cum music room, party spaces, gourmet kitchen and viewing decks for a breathtaking view of the KLCC skyline.

Aria enjoys good take up rate and is slated for completion in 2019.

Akasa Cheras South

Located 30 minutes from the city centre, Akasa Cheras South (Akasa) is connected to Kuala Lumpur and the Klang Valley via a network of major highways and public transportations. Nestled within a burgeoning neighbourhood complete with shopping malls, medical facilities and international schools, Akasa is located opposite the Group's state-of-the-art Mercedes-Benz dealership, which is the largest in Malaysia.



Perched on an expansive tract of freehold land, this mixed development consists of three blocks of residential towers complemented by signature offices and retail.

With a sprawling recreational space of approximately 150,000 square feet, the service residence offers exciting resort living including the first man-made beach in Cheras, Olympic-length lap pool, sports hall, outdoor pavilion, entertainment room and gourmet kitchen.

The residential towers comprise 998 units with an expected GDV of RM635 million. Launched in 2017, Akasa service residence continued to enjoy strong interest among local buyers. It is targeted to be completed by the end of 2020.

The signature offices and retail spaces ranging between five to eight-storey are currently under planning with an expected GDV of RM150 million.

D' Alpinia Integrated Development

D'Alpinia Integrated Development (D'Alpinia) is a 76-acre township development in Puchong South. To date, 729 units of mixed development with a total GDV of RM672 million had been launched and fully sold.

In 2018, the division will be launching the last phase of D'Alpinia comprising 472 units of affordable apartments under the Rumah Selangorku scheme.

UPCOMING NEW PROJECTS IN WEST MALAYSIA:

Mixed Development at Metropolis Plot 5A

KL Metropolis is a 75.5-acre development strategically surrounded by elite neighbourhoods such as Damansara Heights, Mont Kiara, Dutamas and Bukit Tunku. It is earmarked to be an integrated trade, commerce, living and transport hub. Built around a Meetings, Incentives, Conventions and Exhibitions (MICE) hub, KL Metropolis hosts the Malaysia International Trade and Exhibition Center.

This mixed development at Metropolis Plot 5A, measuring 8.95 acres, is a joint-venture between Hap Seng Land Development Sdn Bhd and the master developer. This development comprises residential, retail, office and hotel components with the first phase targeted to commence work in 2018.

Jalan Kia Peng Service Apartment

Located along Jalan Kia Peng facing Grand Hyatt Kuala Lumpur, this 44-storey service residence comprises 348 units and is within walking distance to Suria KLCC, Pavilion Kuala Lumpur and two upcoming MRT stations.

This luxury building is designed for urban green living, with emphasis on natural air ventilation and lighting. Its landscape terraces design and rooftop garden provide the perfect green space for urban living. The project is currently under planning with an estimated GDV of RM580 million.

EAST MALAYSIA

KOTA KINABALU

Kingfisher Inanam

A lush hideaway in the town of Inanam, Kingfisher Inanam comprises three blocks of residential towers that are located within 15 minutes to KK City Centre and in close proximity to the proposed Pan Borneo Highway.

The development has an 85,000 square feet sky park located at Level 5 which offers a natural greenery landscape and a variety of recreational facilities such as swimming pool, gymnasium, jogging track, party lounge, barbeque terrace and a basketball court.

The development comprises 739 units with an estimated GDV of RM360 million.

Kingfisher Putatan

Cradled in the heart of Putatan's commercial and residential hub, Kingfisher Putatan is accessible via the proposed Pan Borneo Highway. It showcases 816 condominium units, with an estimated GDV of RM380 million.

The condominium offers a beautiful view of the Crocker mountain range where residents can enjoy the refreshing mountain air. With access to retail and dining venues, Kingfisher Putatan is an ideal place for families.

Subsequent to the successful initial launch of phase one, the division is scheduled to launch phase two comprising 408 units in 2018.

TAWAU

Bandar Sri Indah

The division's development in Tawau, Bandar Sri Indah (BSI), is a self-contained township that promotes vibrant lifestyle surrounded by greeneries from the adjoining Membelua forest reserve.

The 1,368-acre township includes a community sports complex, supermarket, eateries, security centre, petrol station, intercity bus terminal, lake garden and schools.

Launched in 2004, a total of 2,715 of residential, commercial and industrial units, with a GDV of RM920 million have been completed to date.

During the year, 512 units of the affordable South Ville Apartments, with a GDV of RM120 million was launched as part of the MyHome Scheme, bearing testament to the division's commitment in providing affordable housing to the local populace. Situated just beside a 12-acre lake garden specially built for the residents of BSI, these apartments offer amenities such as a children playground, football field and basketball court.

772 units of affordable terrace houses are slated to be launched in 2018 while the remaining 512 units of South Ville Apartments are scheduled to be launched in 2019.

Ria Heights

Surrounded by the Bukit Gemok forest reserve, Ria Heights is a 100-acre development situated close to Tawau town.

Launched in 2005, the development contains a multitude of amenities including schools, sport complex, convenience stores, food stalls and clinics.

To date, the division has completed 162 residential units under the Perumahan Penjawat Awam 1Malaysia (PPA1M) scheme. In anticipation of continuous demand for affordable housing in the area, a further 493 units of single storey landed residential units will be launched in 2018. This phase is currently under active consideration for the PPA1M scheme.

The township, when completed, will comprise 966 units of residential and commercial development, with an estimated GDV of RM350 million.

LAHAD DATU

Bandar Sri Perdana

Bandar Sri Perdana (BSP), an established township development, has to date launched a total of 1,409 units of mixed development with a GDV of RM567 million.

This mature township contains an array of amenities including a hypermarket, bank, hotel and eateries, making it the busiest township in Lahad Datu.

As BSP continues to be the sought-after address in Lahad Datu, the division is currently planning approximately 1,700 residential units for future launches.

SANDAKAN

Astana Heights

Astana Heights is a 98-acre residential enclave near Sandakan town. To date, 507 units of residential and commercial units, with GDV of RM214 million, have been completed.

Kingfisher Sandakan, the first high rise development in Astana Heights, comprises four blocks of 18-storey apartment with a total of 792 units and estimated GDV of RM275 million. This gated and guarded condominium offers elevated living with a sea view. It also includes facilities such as swimming pool, wading pool, basketball court and gym. Phase one of Kingfisher Sandakan is targeted to be launched in 2018.

PROPERTY INVESTMENT

Amidst the challenging commercial office space market in Malaysia, the division's investment properties continued to record healthy occupancy rates in 2017 with Menara Hap Seng, Menara Hap Seng 2, Plaza Shell and Menara Citibank, recorded occupancy rate averaging 90%. Menara Citibank is held under Inverfin Sdn Bhd, a 49.99% owned associate company of Hap Seng Consolidated Berhad.

In 2017, the division commenced construction of its latest centrepiece landmark, Menara Hap Seng 3, which is targeted to be completed by early 2020. This Grade A green office building will comprise 20 storeys of office space, five-storey of retail podiums, a six-level basement car park and is designed with an integrated state-of-the-art Mercedes-Benz dealership.

Built next to Menara Hap Seng and Menara Hap Seng 2, the trio will form Plaza Hap Seng with a total net lettable area of approximately 900,000 square feet. Upon completion, all three towers will be linked via pedestrian walkways and basement connections, forming an integrated commercial space with amenities such as restaurants, medical and dental clinics, banks and convenience stores to cater to its tenants and the public.

Awards and Recognition

2017 marked another significant milestone for the division as several of the Group's properties received international and local accolades.

The division's Hap Seng Star Mercedes-Benz Balakong Autohaus won the FIABCI World Prix d'Excellence Awards 2017 silver award at FIABCI World Congress 2017, in the Industrial Category. This iconic building has previously won the FIABCI Malaysia Property Award for the Industrial Category in 2016.

FIABCI also awarded the division's Plaza Shell the FIABCI Malaysia Property Award for the Office Category in 2017. The presence of the only award-winning Grade A LEED Silver office tower in Kota Kinabalu sets a new benchmark for office design in Sabah. The building is the premium address in Kota Kinabalu with institutional tenants such as Shell, Mercedes-Benz, Ambank, MSIG and KPMG.

Such awards are testaments to the division's highest standards of professionalism and commitment in its property development and investment.

SHORT AND LONG-TERM GOALS

In West Malaysia, the division will continue to focus in the Klang Valley as the fastest growing metropolitan in terms of population and economy, taking cognisant of the extensive infrastructure development undertaken by the Government.

In Sabah, the division will continue to actively support the Government's initiative to provide affordable housing under the PPA1M and MyHome schemes.

In the long term, the division aspires to achieve a well-balanced portfolio of development properties and investment properties. To realise this aspiration, the division is on a constant lookout for opportunities to expand either via new land acquisitions or joint ventures with land owners. The division endeavours to grow its investment property portfolio by enhancing existing assets and acquiring strategic real estate assets that are yield-accretive.

The division will also continue to pay considerable attention to sustainability issues in all developments.

OUTLOOK

Residential sector

The division expects the Malaysian property market to stabilise and improve in 2018 on the back of an expected GDP growth of 5.5% to 6%, underpinned by private sector spending and investment. This growth is expected to be supported by continued growth in employment and income, lower inflation and improving sentiments. A such, the Malaysian property market sentiment is anticipated to improve.

Commercial office sector

Kuala Lumpur will continue to progress as a world class capital city with government investments in modern infrastructure. Grade A office buildings in strategic locations with good connectivity, in particular, having MSC status and green building status will continue to be the preferred address.

Based on the foregoing, the division is optimistic that its investment properties will continue to enjoy healthy occupancies and rental yields.

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 (SME). The division has a network of ten branches nationwide, 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. It is one of the top three credit financing institutions in this sector.

MARKET CONDITION

On the back of the improved Malaysian economy in 2017, the division achieved a higher business volume during the financial year under review. The financing landscape remained highly competitive especially at the lower risk segment which resulted in marginally lower net interest margin.

MANAGEMENT STRATEGIES

The division will continue to uphold the principles of prudent lending by procuring quality businesses with adequate return and providing excellent services to its customers. The division maintains its pursuit of growing the secured term loan portfolio, driven primarily by ongoing innovative product developments, customised to borrowers' needs.

OPERATIONAL PERFORMANCE

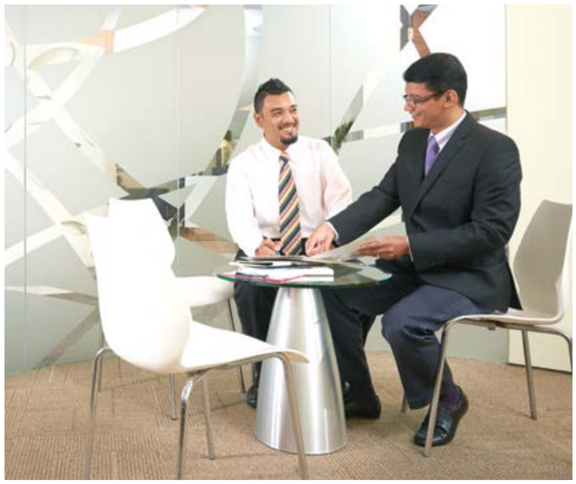
The division has intensified its efforts in expanding its secured term loan portfolio to improve yields while maintaining a sizeable portfolio of industrial hire purchase business.

Focus continued to be placed on the pre-selected robust sectors including real estate, manufacturing, transportation and general commerce. Stringent cost management for both direct funding and administrative expenses was continuously practiced throughout the financial year under review.

The operating profit was 18% higher at RM166.1 million (2016: RM140.3 million) while profit before tax was 34% higher at RM95.3 million (2016: RM71.4 million).

This was contributed by a 35% increase in loan base at RM3.1 billion (2016: RM2.3 billion), the highest loan base recorded by the division since inception. Return on average asset was higher at 2.66% (2016: 2.40%) which compares favourably with the banking industry's average of approximately 1.5%.

Gross non-performing loans (NPL) ratio improved to 1.38% in 2017 (2016: 1.89%) which also compares favourably with the banking industry's average of 1.53%.



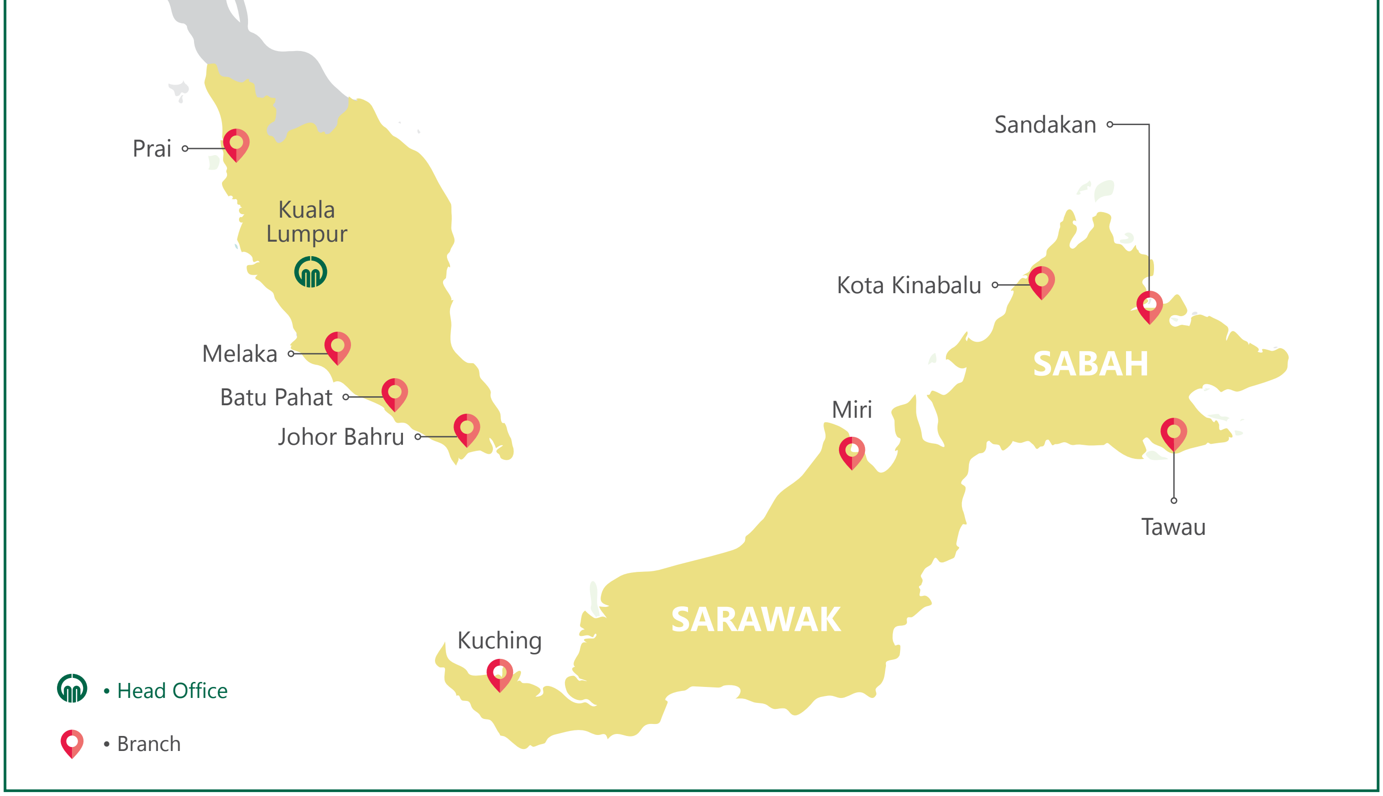
SHORT AND LONG-TERM GOALS

It is the short and long-term goal of the division to improve its portfolio return and stability by expanding its term loan portfolio.

Human capital is being strengthened with the recruitment of skilled staff force while training programs will be regularly provided on technical updates and refresher seminars for relevant staff.

The division will continue to explore opportunities to expand both domestically and abroad. This is in pursuit of continuous growth of the division and a diversified market.

CREDIT FINANCING DIVISION'S OPERATION NETWORK



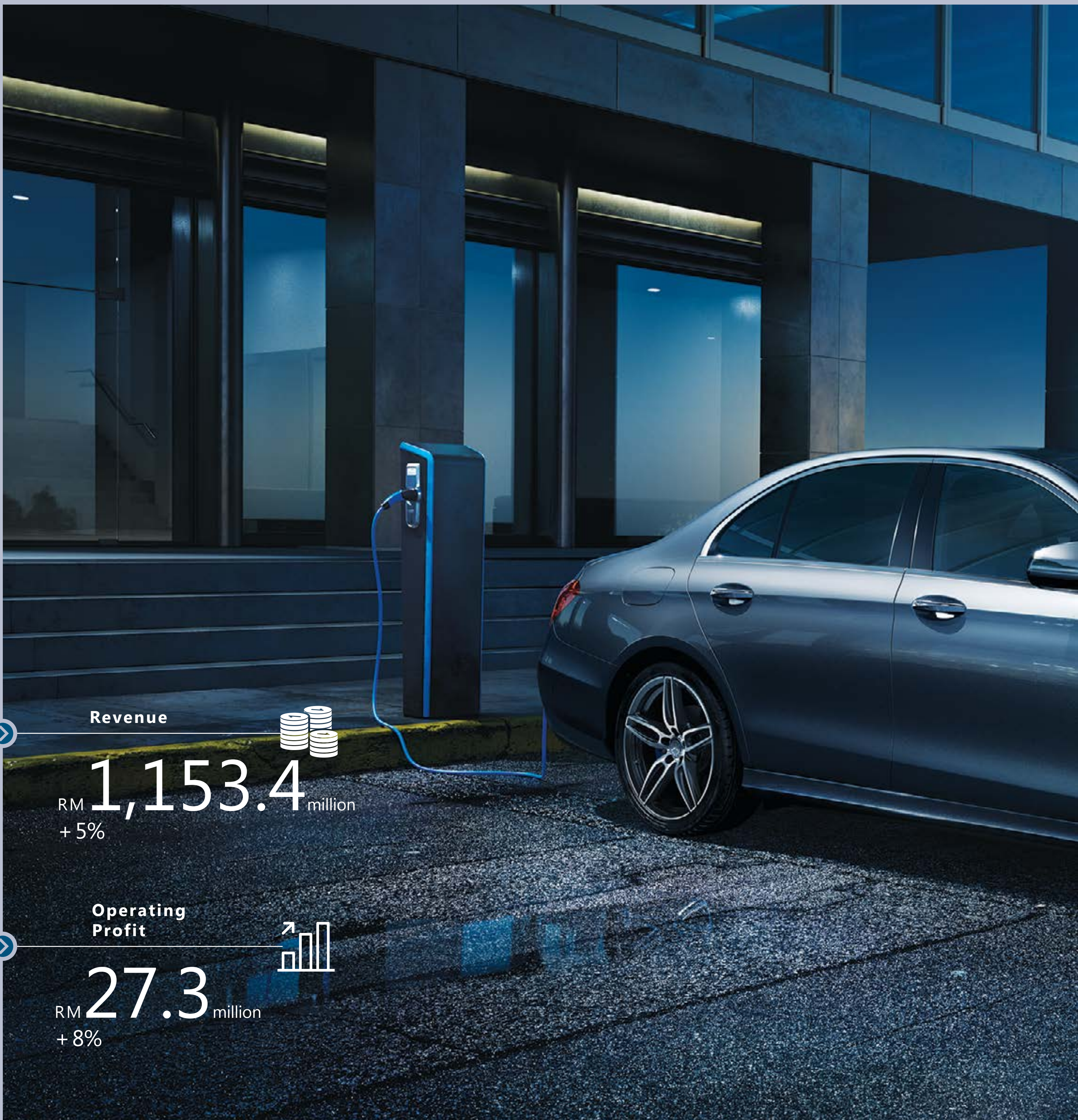
OUTLOOK

The market demand for funding remains robust and the banking industry continues to be selective in granting loans. This provides an opportunity for the division to market term loans as an alternative source of funding for businesses that require general working capital.

The division is also expected to benefit from the public infrastructure development projects, which would result in the expansion of its construction loan portfolio.

The division shall continue to leverage on its competitive edge and expertise through more efficient services, as well as the synergistic collaboration with the other core business divisions of the Group.

AUTOMOTIVE



Revenue

RM 1,153.4 million

+ 5%

Operating Profit

RM 27.3 million

+ 8%

The Automotive Division is a leading Mercedes-Benz dealer in Malaysia. The division currently comprises a network of ten Mercedes-Benz passenger car dealerships strategically located across the country – six in the Klang Valley and one each in Iskandar (Johor), Kota Kinabalu, Kuching and Miri.

MARKET CONDITION

In 2017, the Malaysian passenger car market was stagnant, with the total industry volume (TIV) in the segment recording 514,679 units (2016: 514,594).

Despite the subdued market, Mercedes-Benz continued to remain the top selling luxury marque in the country, with a total annual sales volume of 12,067 units (2016: 11,798).

MANAGEMENT STRATEGIES

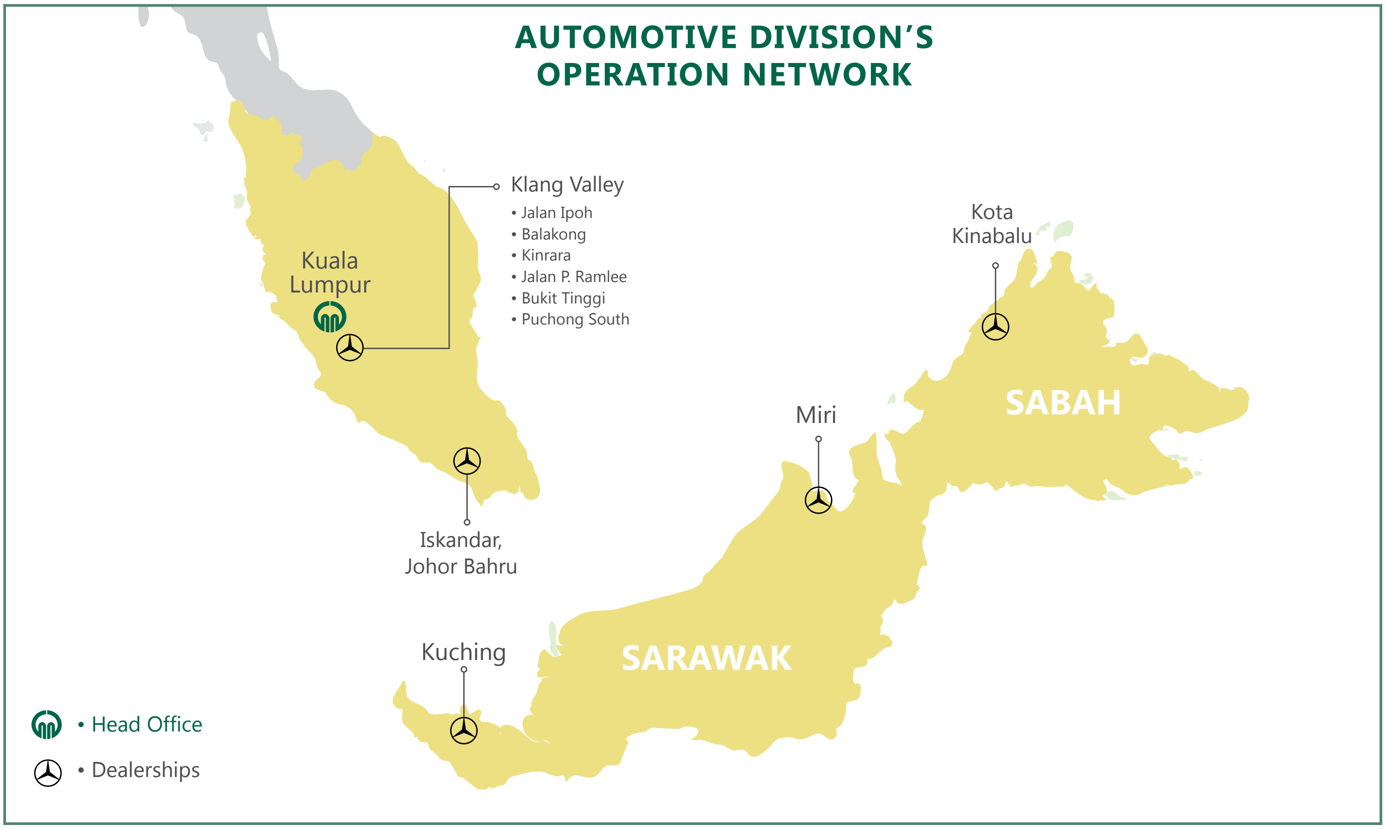
During the year under review, the division continued with its strategy to expand and upgrade its dealer network. This included the opening of two new dealerships in Bukit Tinggi, Klang (March 2017) and Iskandar, Johor (June 2017), as well as the relocation of its Kuching dealership to a new purpose-built 3S Autohaus.

The division strives to deliver best customer experience through service excellence and highest technical standards.

OPERATIONAL PERFORMANCE

In 2017, the division achieved a record sale of 4,691 units (2016: 3,938 units), a 19% increase over the previous year. The division's aftersales operations also achieved a record throughput of 44,844 (2016: 33,821), a 33% increase over the previous year.

Consequently, the division achieved a 5% higher turnover at RM1,153.4 million (2016: RM1,099.1 million) and a record operating profit of RM27.3 million (2016: RM25.2 million), representing a growth of 8% over the previous year.



Awards and Recognition

Hap Seng Star's dealerships have clinched eight out of the total 12 awards by Mercedes-Benz Malaysia out of 33 participating dealerships nationwide. The most coveted award, Mercedes-Benz Malaysia Dealer of the Year 2017, was presented to Hap Seng Star Balakong for achieving the overall highest scores in all aspects of sales, after-sales, customer satisfaction, customer loyalty, business excellence and financial services. This is a testament of the division's highest service quality and excellence.

SHORT AND LONG-TERM GOALS

In 2018, the division has opened a new 3S Autohaus in Puchong South and will launch a new Certified Pre-Owned Centre in Kinrara.

The division's aftersales operations will continue to focus on customer retention, rolling out programs such as the Extended Warranty and Special Maintenance Star Care packages. The aftersales operations will also be emphasising on labour optimisation to enhance productivity and efficiency.

As part of the division's effort to have a continuous stream of highly qualified technicians, it continues to sponsor students enrolled in the Automotive Training College (ATC). Since the initiation of this key community programme in 2013, we have sponsored a total of 83 graduates.

With the implementation of the above initiatives together with its overall strategy of network expansion and excellent customer service, the division is poised to achieve its goal of being the leading and preferred Mercedes-Benz passenger car dealer in Malaysia.

OUTLOOK

In the Malaysian Automotive Association's 2018 review, the TIV of the passenger car market is anticipated to grow by 2.3% to 526,500 units.

Mercedes-Benz Malaysia will be launching new and facelifted models in 2018, covering a wider range of customer spectrum. These new models, such as the new A-Class, new CLS and the facelifted C-Class, C-Class Coupe and S-Class, will continue to spur buying interest.

FERTILIZERS TRADING

Revenue

RM 1,018.7 million

+1%

Operating Profit

RM 35.9 million

+17%

The Fertilizers Trading Division supplies a wide range of fertilizers, such as Muriate of Potash (MOP), Ammonium Sulphate and Rock Phosphate, to the oil palm plantation industry in Malaysia and Indonesia.

The division trades through Hap Seng Fertilizers Sdn Bhd (HSF) in Malaysia, PT Sasco Indonesia (PTSI), and Sasco (China) Co., Ltd (SCC); and operates from 14 strategically located warehouses – 8 in Malaysia and 6 in Indonesia. SCC, which started operations in 2016, sources fertilizers from China and globally for exports to the regional and global market.

MARKET CONDITION

The market in Malaysia and Indonesia started to recover from the negative effects of the El Nino weather phenomenon, with normalization of fertilizers application towards the second half of 2017. However, supply of MOP was tight as producers had reduced production output in the previous year. This was compounded by China having delayed the agreement on MOP price until July 2017. The producers were left with less than six months to ship their 2017 annual volume to China, thereby causing an acute shortage of MOP supply to the regional market. This resulted in the stabilization of MOP price across the region.

China's implementation of environmental control regulations to curb pollution affected the production and supply of fertilizers across the country. The increased production costs resulted in China losing its price competitiveness in the international fertilizers market.

MANAGEMENT STRATEGIES

In the Malaysian market, the tight supply situation had given the division opportunity to optimise returns by raising prices, thereby improving profit margins.

In 2017, the division adopted a prudent approach for the Indonesian market in view of the uncertainties in the fertilizers market. Sales and purchases were closely matched to minimise exposure to market volatility.

The China business unit continued to focus on developing network with both their domestic and international trading houses on export businesses.

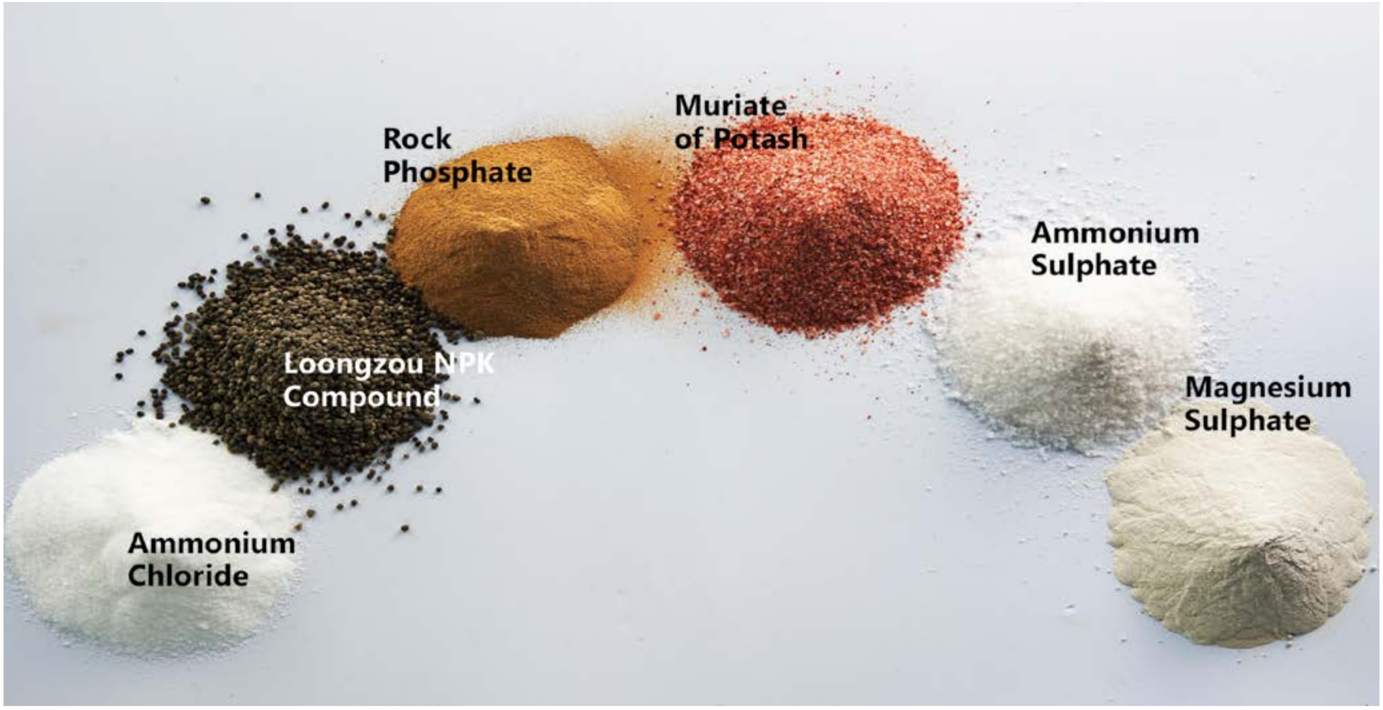
OPERATIONAL PERFORMANCE

Given the tight fertilizers supply environment, the division achieved a total revenue of RM1,018.7 million, an increase of 1% over the preceding year (2016: RM1,011.7 million). Operating profit improved by 17% to RM35.9 million (2016: RM30.7 million) due to better margins from its Malaysian operations.

Operations in Malaysia

For 2017, the division undertook a strategic decision to improve profit margins. As a result, sales volume reduced by 11% to 817,000 tonnes for FY2017 (2016: 915,000 tonnes) with a corresponding decline in revenue by 11% to RM712.6 million (2016: RM801.5 million). However, operating profit improved by 40% to RM34.5 million (2016: RM24.7 million).

Consequently, the division's market share in Malaysia declined to 20% (2016: 26%). In spite of this, HSF continued to lead the East Malaysian fertilizers business segment with a market share of 30% (2016: 36%) and remained a prominent player in the Peninsular Malaysia fertilizers market, albeit with a lower market share of 9% (2016: 14%).



Operations in Indonesia

To minimise its exposure to market volatility, the division focused its trading efforts on less volatile, but lower value fertilizers products in Indonesia. This is reflected in PTSI's revenue reduction by 2% to RM181.8 million (2016: RM185.3 million) whilst maintaining sales volume of 265,000 tonnes in 2017 (2016: 264,000 tonnes). This generated an operating profit for 2017 of RM3.3 million (2016: RM6.3 million), reflecting compressed margins.

Operations in China

The China unit continued to expand its presence in the regional market during 2017 and contributed revenue of RM124.3 million (2016: RM24.9 million) from 162,000 tonnes (2016: 44,000 tonnes) of fertilizers sold. However, the unit recorded an operating loss of RM1.9 million (2016: Operating loss of RM0.3 million) as the business was still at a nascent stage.

SHORT AND LONG-TERM GOALS

The division continues to cultivate and establish strategic partnerships with key industry players to add value to the fertilizers supply chain, with an objective to secure long-term supply arrangement. The division also seeks joint venture opportunities to strengthen its market position in sustaining long-term growth. Value-added services such as agronomic advisory services, including advisory on the use of fertilizers, are being provided to plantation customers as part of its customer retention strategy.

In its effort to achieve higher sales in the Indonesian market, the division intends to establish strategic partnerships with major fertilizers producers. In addition, the division also plans to expand its business scope by enlarging its product range.

In China, the division is actively pursuing the importation of fertilizers into the local market whilst embarking on establishing a domestic distribution network within the country.

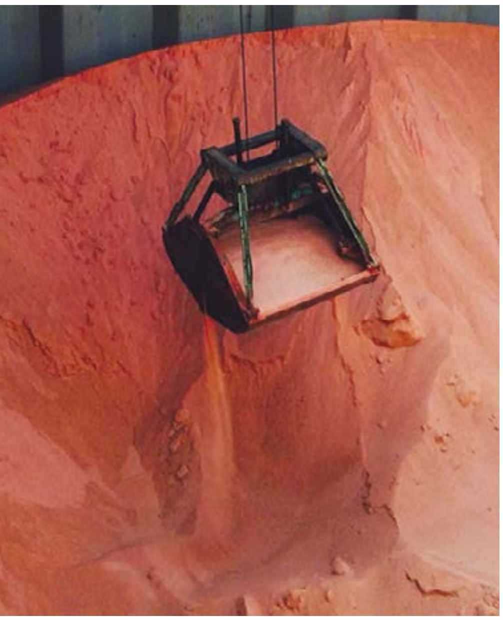
OUTLOOK

Demand for fertilizers is expected to be strong in Malaysia and Indonesia as the plantation industry having recovered from the 2017 El Nino weather phenomenon. In China, the government's continued emphasis on food security will promote the growth of the local agriculture industry which will augment fertilizers consumption.

Supply of fertilizers, in particular MOP, is anticipated to continue to be tight through 2018 as producers are still fulfilling their 2017 contract commitments to China and India during the first half of 2018. This may potentially raise prices for MOP.

MOP price agreement with China for 2018 is expected to be completed during the first half of 2018 with the producers pushing for a price increase. The regional pricing in South East Asia is likely to follow China's lead in the midst of tight supply. The division will continue to monitor the prevailing business environment and to mitigate and reduce exposure where necessary.

The ongoing enforcement of stringent environmental control measures will continue to impact fertilizers production in China, with plant closures by producers unable to comply. China will lose its low-cost advantage as regulatory compliance increases production costs. China, previously the world's largest urea exporter, is expected to start importation of urea as local production costs escalate.



BUILDING MATERIALS

Revenue

RM 1,563.0 million

+18%

Operating Profit

RM 164.9 million

+14%

The Building Materials Division is involved in the manufacturing and trading of building materials. The division comprises three main segments namely the quarry, asphalt and brick segment, ceramic tiles segment and trading segment.

QUARRY, ASPHALT AND BRICK SEGMENT

This segment is one of the largest quarry operators in Malaysia, producing aggregates from 13 quarries operating in Sabah, Kelantan, Terengganu, Pahang and Johor. The quarry operations are complemented by eight asphalt plants which provide downstream production and sales of premix for road surfacing. The quarry and asphalt products are distributed mainly to the Malaysian infrastructure and construction industry.

The clay brick manufacturing operates from two factories in Sabah and one factory each in Johor and Pahang. 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

Operating under Malaysian Mosaics Sdn Bhd (MMSB), the ceramic tiles segment manufactures and distributes ceramic tiles under the MML brand name. The segment's manufacturing facilities are located in Kluang, Johor, across three factories with an annual plant capacity of 11.8 million m^2. This capacity is complemented by outsourced volumes from Malaysia and China.

The segment has an established distribution network for both the retail and project market, with overseas subsidiaries in Singapore, Thailand, Indonesia and China.

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 Malaysian operations are supported via a network of six branches – four in Sabah, one in Johor and a main office in Petaling Jaya; and cater to the building contractors market.

The Singapore operations are carried out by its listed subsidiary in Singapore, Hafary Holdings Limited (Hafary). Hafary's operations caters to both the retail and project segment.

MARKET CONDITION

Although the construction sector in Malaysia grew by 6.7% in 2017 (2016: 7.4%), the division had limited benefits as most of the major infrastructure projects were in the Klang Valley, where the division's quarry and asphalt operations were not present.

In the residential market segment, housing affordability continued remained a key issue, whereby the rise in house prices continued to outpace the rise in income levels.

In Singapore, the construction sector contracted due to weakness in private sector construction activities. However, the increase in public and private property resale transactions led to an increase in demand for tiles and other surfacing materials due to renovation activities.

MANAGEMENT STRATEGIES

Quarry, Asphalt and Brick Segment

Faced with a challenging domestic market amid competitive pricing, the division continued to control costs, improve plant efficiency, increase exports and leverage on the strength of the Group's synergies.

Ceramic Tiles Segment

As the ceramic tile market segment continued to be dampened by over-capacity, the division aims to grow the business through Original Equipment Manufacturer arrangements, either for sourcing or manufacturing collaboration.

Trading Segment

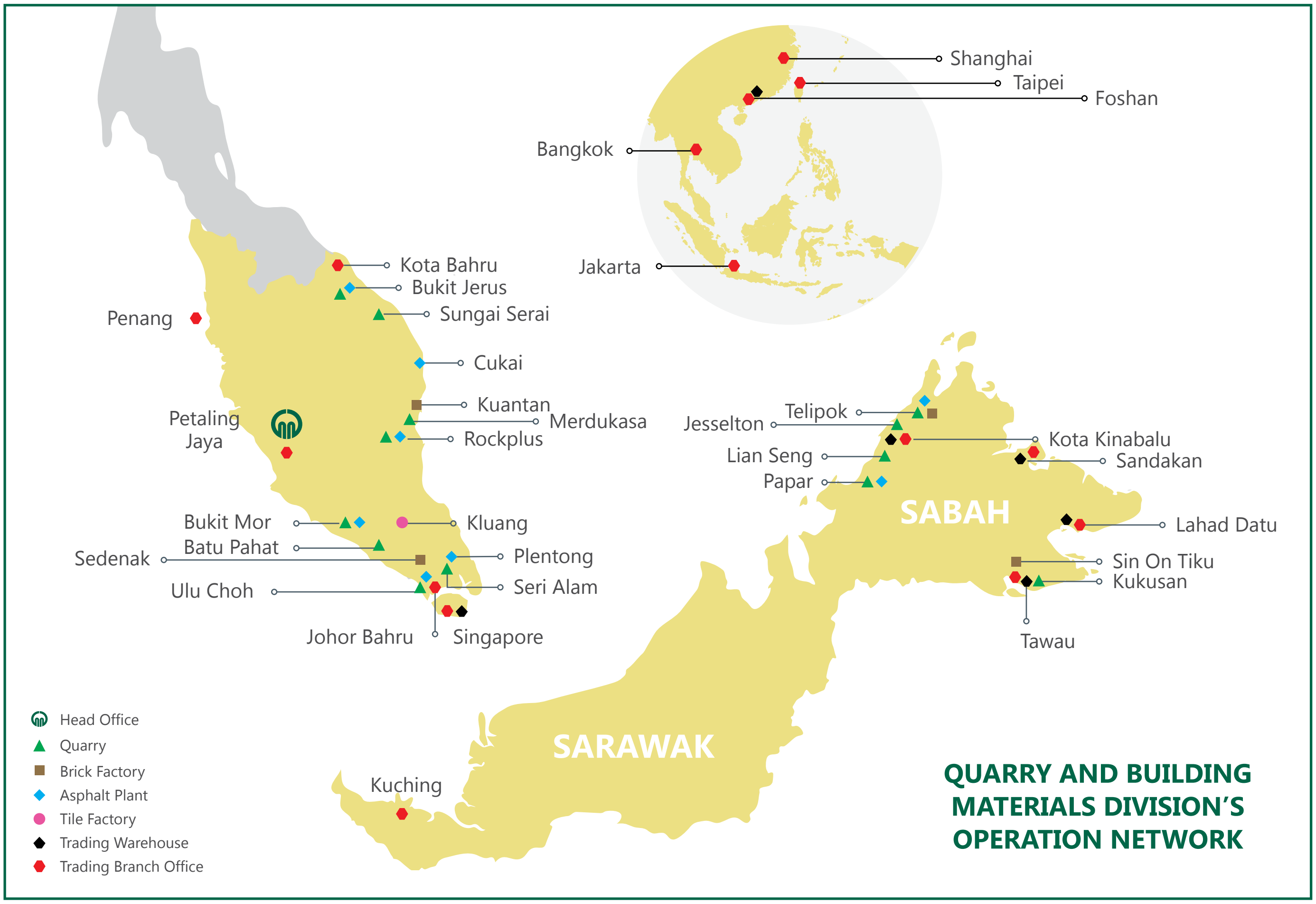
The division aims to strengthen its position as one of the largest building materials suppliers in Malaysia and Singapore by increasing its market penetration and coverage as well as leveraging on the strength of the Group's synergies.

OPERATIONAL PERFORMANCE

In 2017, the division recorded a revenue of RM1,563.0 million (2016: RM1,329.2 million) and operating profit of RM164.9 million (2016: RM145.0 million).

The revenue increase of 18% was mainly contributed by the Trading and Ceramic Tiles segments. The higher revenue by the Ceramic Tile segment was due to the full-year recognition as compared to the seven-month recognition in the preceding year, as MMSB was acquired in May 2016. Revenue from the Quarry, Asphalt and Brick segment was marginally lower than the previous year due to lower selling prices as a result of competitive market conditions.

Operating profit rose by 14%, primarily due to better performances in the Trading segment and gains arising from asset rationalisation. However, both the Ceramic Tiles segment and Quarry, Asphalt and Brick segment recorded poorer results due to poor market conditions and margin erosion.



Despite the difficult market conditions, Hafary maintained its position as a leading tile and building material supplier in Singapore. During the year, it continued to expand its product offerings through, amongst others, the introduction of the Smartstone's engineered quartz surface and Pergo's vinyl tiles and laminated flooring into the Singapore market.

SHORT AND LONG-TERM GOALS

Quarry, Asphalt and Brick Segment

The division's short-term goal is to grow sales volume, both in the domestic and export markets, and to improve operating profits by optimising its production capacities, exercising stringent cost control, expanding the division's product base and leveraging on the strength of the Group's synergies.

In the longer term, we aim to explore expanding the division's presence into areas with high growth and demand, particularly the Klang Valley.

Ceramic Tiles Segment

MMSB is working closely with its regional partners to set up showrooms in strategic locations and upgrade its existing showrooms within South-East Asia and East Asia regions.

MMSB also aspires to be at the forefront of the green ceramic tiles industry in Asia. As part of its continuous efforts to foster a culture of sustainability, MMSB shall continue to initiate and implement sustainable measures to remain competitive.

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, expanding market coverage, exercising stringent credit control and leverage on the strength of the Group's synergies.

  The division aim to increase its branches and expand warehousing facilities to achieve higher market penetration.

- **Singapore Operations**

  As a retail and distribution organisation, customer service excellence is imperative in ensuring that Hafary continues to be the leading building materials supplier in Singapore. In the short term, Hafary will place emphasis on strengthening its customer service offerings.

  Having its operations predominantly in Singapore, Hafary will continue to remain vigilant to market developments and for opportunities to grow its business locally and regionally.

OUTLOOK

The construction sector is forecasted to grow at 7.5% in 2018 (2017: 6.7%), supported by the ongoing development of various major infrastructure projects such as the Pan Borneo Highway and the East Coast Rail Link. These projects are expected to contribute to the division's quarry and asphalt business.

In Singapore, construction demand for 2018 as forecasted by the Building and Construction Authority of Singapore is between S$26 billion and S$31 billion, with 60% to be contributed by the public sector. Key projects include institutional and other buildings such as healthcare facilities and smaller government projects brought forward from 2017. These developments are expected to offer Hafary growth opportunities locally.

ANTICIPATED RISKS AND OPPORTUNITIES

The provision and/or upgrading of workers' quarters, Humana schools, medical facilities, child care facilities and other recreational facilities are expected to improve the overall quality of living amongst plantation workers. Notwithstanding the general shortage of workers affecting the plantation industry, the plantations division is confident of achieving a high workers retention rate and low staff turnover rate.

The planned setting up of Auxiliary Police, augmented by other security facilities, is expected to allay security risk in the plantation.

The allocation of appropriate loan facilities by the credit finance division for in-house property projects will somewhat mitigate the impact of prudent lending practices adopted by financial institutions.

The Group's property development activities in Sabah will continue to focus on the affordable housing market segment in 2018, participating, wherever feasible, in the government's affirmative action such as the PPA1M and MyHome schemes, increasing the supply of affordable homes.

In the property investment segment, the Group shall continue to be a niche property investment developer, adopting high standards of facilities and services in commercial properties located in strategic locations. This is to mitigate the challenges faced in the commercial office space.

The Group's fertilizers trading business adopted currency hedging policy, minimizing stock holding and matching stock orders with committed sales to mitigate potential pricing risks as the importation of fertilizers are transacted in US Dollars and are subject to global price fluctuations.

The Group's building materials division continues to take steps to improve operating efficiencies and minimise costs while expanding its market reach through leveraging on the Group's synergies. This is in response to the risk of softening demand, weak selling prices, compressed margins and credit risk.

The Group's ability to meet the funding requirements of its various businesses continues to be an important factor to ensure the continuous growth of the Group. In order to mitigate liquidity risk, the Group continues to maintain sufficient funding lines to cater for its current and future requirements.

The Group continues to maintain its policy of hedging its foreign currency exposures to minimise any potential foreign currency translation losses in the Group's borrowing arrangements.

MOVING FORWARD

The Group is cautiously optimistic on its outlook for 2018. The Malaysian economy is expected to continue its growth momentum from 2017, with a GDP growth forecast of between 5.5% to 6%. Inflation is also expected to remain stable in 2018.

Palm oil production is expected to improve in 2018 as it recovers from the negative effects of the El Nino weather phenomenon. However, demand is expected to be soft due to several external factors such as the EU's decision to ban palm oil-based biofuel and India's hike in import tariffs for edible oil. However, this may be mitigated by China's decision to lower its tariffs for consumer goods. The Group's plantations division will continue to focus on maximising the marketability and value of its palm products.

With the expected improvement in palm oil production, its fertilizers trading division is poised to benefit from the anticipated uptake in fertilizers demand. However, the Group is cognisant of the potential risk in currency fluctuation and the potential rise in global fertilizer prices.

The Group's property investment and development division expects the demand for its affordable housing products to remain strong in 2018.

The automotive division is positive in its outlook for 2018 with the automotive industry expecting to grow its TIV by 2.3% in 2018. This division will continue to expand its dealership network to take advantage of new model launches by Mercedes-Benz Malaysia in 2018.

The operating environment for the Group's building materials division is expected to remain challenging in 2018. However, the division is expected to benefit from several planned public and private infrastructure and building projects, both in Malaysia and Singapore.

Loan growth will continue to be the focus of the Group's credit financing division. It will leverage on the Group's synergies by collaborating with other divisions' extensive business network and customer base. Concurrently, it will continue to ensure a high quality portfolio through stringent credit risk assessment and loan approval procedures.

ACKNOWLEDGEMENT

The Company would like to express its gratitude and thanks to its Board of Directors and shareholders for their confidence and support. The Company would also like to thank the management and all its staff for their significant contributions to the Group over the years.

In addition, the Company would like to thank and acknowledge the support given to the Group from its business partners, clients, customers, suppliers and other stakeholders. The Group is committed to creating value together with its stakeholders.

The Company would also like to welcome Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah to its board. The Company would also like to extend its appreciation to Mr. Ch'ng Kok Phan who has resigned on 31 March 2018 for his invaluable contribution.

BOARD OF DIRECTORS

Sitting (from left to right)

01 | **CHEAH YEE LENG**
Executive Director

02 | **DATUK EDWARD LEE MING FOO,** JP
Managing Director

03 | **DATO' JORGEN BORNHOFT**
Independent Non-Executive Chairman

04 | **LEE WEE YONG**
Executive Director

Standing (from left to right)

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

06 | **LEOW MING FONG @ LEOW MIN FONG**
Independent Non-Executive Director

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

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

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

DIRECTORS' PROFILE

DATO' JORGEN BORNHOFT

Independent Non-Executive Chairman

Dato' Jorgen Bornhoft, male, a Dane, aged 76, 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 a member of the Audit Committee and Nominating Committee and the chairman of the Remuneration 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 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 holds a degree in Accountancy and Finance (Bachelor of Commerce) from the Copenhagen Business School and attended executive management courses at INSEAD.

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 2017.

He attended all the 5 board meetings held during the financial year ended 31 December 2017.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 63, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and assumed the current position since 31 March 2005.

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

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

Datuk Edward Lee 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 2017.

He attended all the 5 board meetings held during the financial year ended 31 December 2017.

LEE WEE YONG

Executive Director

Lee Wee Yong, male, a Malaysian, aged 70, 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 2017.

He attended all the 5 board meetings held during the financial year ended 31 December 2017.

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 49, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

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

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

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

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

She attended all the 5 board meetings held during the financial year ended 31 December 2017.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 61, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 16 February 1996. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

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

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 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 2017.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2017.

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

Independent Non-Executive Director

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan, male, a Malaysian, aged 72, 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 2017.

He attended all the 5 board meetings held during the financial year ended 31 December 2017.

DATO' MOHAMMED BIN HAJI CHE HUSSEIN

Independent Non-Executive Director

Dato' Mohammed Bin Haji Che Hussein, male, a Malaysian, aged 67, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 15 July 2008. He is also the chairman 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 Tasek Corporation Berhad and Bank of America Malaysia 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 2017.

He attended all the 5 board meetings held during the financial year ended 31 December 2017.

LEOW MING FONG @ LEOW MIN FONG

Independent Non-Executive Director

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 68, 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 and Remuneration 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 2017.

He attended all the 5 board meetings held during the financial year ended 31 December 2017.

DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH

Independent Non-Executive Director

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, male, a Malaysian, aged 52, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 23 November 2017.

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

Dato' Wan Mohd Fadzmi holds a Bachelor of Construction Economics from RMIT University, Melbourne, Australia and attended advanced management program at The Wharton Business School, University of Pennsylvania, USA and senior executive finance program at University of Oxford, United Kingdom. He is a Chartered Banker (Asian Institute of Chartered Bankers).

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

Dato' Wan Mohd Fadzmi does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

There was no board meeting held during the financial year subsequent to his appointment to the Board on 23 November 2017.

SENIOR MANAGEMENT TEAM

Sitting (from left to right)

01 | **AU YONG SIEW FAH**
Chief Executive
PLANTATIONS DIVISION

02 | **CHEAH YEE LENG**
Executive Director

03 | **DATUK EDWARD LEE MING FOO, JP**
Managing Director

04 | **LEE WEE YONG**
Executive Director

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

Standing (from left to right)

06 | **ANDREW TALLING**
Chief Operating Officer
QUARRY, ASPHALT AND BRICK SEGMENT

07 | **KHOR SOO BENG**
Chief Operating Officer
PROPERTY INVESTMENT & DEVELOPMENT DIVISION (WEST MALAYSIA)

08 | **PUAN CHEN KECK**
Chief Executive
CREDIT FINANCING DIVISION

09 | **AU SIEW LOON**
Chief Financial Officer

10 | **VOON THAU VUI**
Chief Executive
FERTILIZERS TRADING DIVISION

11 | **TAN DUO ZER**
Chief Operating Officer
PROPERTY INVESTMENT & DEVELOPMENT DIVISION (EAST MALAYSIA)

12 | **TAI AH CHAI**
Chief Executive
TRADING SEGMENT

13 | **YONG TEAK JAN**
Chief Operating Officer
CERAMIC TILES SEGMENT

Note: Please refer to pages 50 to 52 for Datuk Edward Lee Ming Foo, JP, Lee Wee Yong and Cheah Yee Leng's profile.

SENIOR MANAGEMENT TEAM'S PROFILE

HARALD UWE BEHREND

Group Chief Operating Officer & Chief Executive – Automotive Division

Harald Uwe Behrend, male, a German, aged 57, 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 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 2017.

AU SIEW LOON

Chief Financial Officer

Au Siew Loon, male, a Malaysian, aged 56, 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 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 2017.

AU YONG SIEW FAH

*Chief Executive –
Plantations Division*

Au Yong Siew Fah, male, a Malaysian, aged 67, 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 as 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 48 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 of companies, 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 2017.

KHOR SOO BENG

*Chief Operating Officer –
Property Investment &
Development Division
(West Malaysia)*

Khor Soo Beng, male, a Malaysian, aged 55, 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 2017.

TAN DUO ZER

*Chief Operating Officer –
Property Investment &
Development Division
(East Malaysia)*

Tan Duo Zer, male, a Malaysian, aged 60, 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.

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 2017.

PUAN CHEN KECK

*Chief Executive –
Credit Financing Division*

Puan Chen Keck, male, a Malaysian, aged 60, 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 the relevant regulatory bodies during the financial year ended 31 December 2017.

VOON THAU VUI

Chief Executive – Fertilizers Trading Division

Voon Thau Vui, male, a Malaysian, aged 55, 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 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 2017.

TAI AH CHAI

Chief Executive – Trading Segment

Tai Ah Chai, male, a Malaysian, aged 60, is the chief executive of trading segment of Hap Seng Consolidated Berhad and was appointed to this position on 1 March 2013.

Mr. Tai has more than 30 years of experience in building materials industry. He had held various senior management positions in Ipmuda Berhad prior to his appointment as an executive director of Ipmuda Berhad from 1 May 2008 to 3 September 2012.

Mr. Tai holds a Bachelor of Commerce Degree with Honours in Business Administration from University of Windsor in Ontario, Canada. He was the president of Building Materials Distributors Association of Malaysia from 2006 to 2010 and is presently the EXCO member.

Mr. Tai 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 2017.

YONG TEAK JAN

Chief Operating Officer – Ceramic Tiles Segment

Yong Teak Jan, male, a Malaysian, aged 47, is the chief operating officer of ceramic tiles segment of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 November 2017.

Mr. Yong is a non-independent non-executive director of Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. He is currently the chief operating officer of Malaysian Mosaics Sdn Bhd and the director of operations (East Malaysia) for the quarry, asphalt and brick segment of HSCB. Mr. Yong has more than 20 years of experience in the building material and engineering industry in Malaysia and Singapore. He had held various positions such as business development, sales and marketing and export, manufacturing and procurement in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited.

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

Mr. Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the Malaysian regulatory bodies during the financial year ended 31 December 2017.

ANDREW TALLING

Chief Operating Officer – Quarry, Asphalt and Brick Segment

Andrew Talling, male, British, aged 53, is the chief operating officer of the quarry, asphalt and brick segment of Hap Seng Consolidated Berhad and was appointed to this position on 18 December 2017.

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

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

Mr. Talling does not have any family relationship with any director and/or major shareholder nor does he have any conflicts of interests with the Company. He has not been convicted of any offense in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

This Corporate Governance Overview Statement should also be read in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Reports on Board Committees and Sustainability Statement) as the application of certain corporate governance enumerations may be more evidently manifested in the context of the respective statements respectively.

Corporate Governance Approach

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

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

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

Given the commitment of the Board to good corporate governance, the Board drives efforts to promote meaningful and thoughtful application of good corporate governance practices. This includes monitoring local and global developments in corporate governance and assessing their implications. Such efforts proved to be particularly imperative in the year 2017 as Malaysia witnessed a range of regulatory reforms including the coming into force of Companies Act 2016, release of the new MCCG by Securities Commission Malaysia as well as the amendments to Main Market Listing Requirements which were augmented with the issuance of the Corporate Governance Guide (3rd edition) by Bursa Securities.

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

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

Summary of Corporate Governance Practices

The Company has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2017 except:

- Practice 4.2 (Two-tier shareholder voting process to retain an Independent Director who has served for more than 12 years);
- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 4.6 (Sourcing of candidates for directorships using independent sources);
- Practice 7.2 (Disclosure of the top five senior management's remuneration on a named basis); and
- Practice 11.2 (Adoption of Integrated Reporting for Large Companies).

In line with the latitude provided in the application mechanism of MCCG, the Company has provided explanations for the departures from the said Practices. The explanations on departures are augmented with articulations on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the Company's application of each individual Practice of MCCG are available on the Corporate Governance Report which is available on the Company's website as well as via an announcement on the website of Bursa Securities.

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

Responsibilities of the Board

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

The Board has established three Board Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to assist it in discharging its oversight function. In delegating its responsibility to the Board Committees, the Board is guided by the maxim, "delegate but do not abdicate". At all times, the Board retains collective oversight over the Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Company is in adherence with good corporate governance.

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

The Board and Board Committees meet with sufficient regularity to deliberate on matters under their purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Company, including business plan, annual budget, significant acquisitions and disposals, financial results as well as key performance indicators. The attendance of individual Directors for the meetings of the Board and Board Committees during the financial year ended 31 December 2017 are outlined below:

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

Board/Board Committee Chairman   Member

1. Re-designated as a member of the AC w.e.f 23 November 2017.
2. Re-designated as a member of the NC w.e.f 28 February 2018.
3. Re-designated as the Chairman of the AC w.e.f 23 November 2017.
4. Re-designated as the Chairman of the NC w.e.f 28 February 2018.
5. Appointed as a member of the RC w.e.f 23 November 2017 in place of Datuk Edward Lee Ming Foo and there were no RC meetings held during the financial year subsequent to his appointment.
6. There were no Board meetings held during the financial year subsequent to the appointment of Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah to the Board w.e.f 23 November 2017.
7. Resigned on 31 March 2018.
8. Resigned as a member the RC on 23 November 2017.

There is also a clear demarcation of responsibilities between Board and Management. While the Board directs and governs Management, it does not excessively intervene on the operational and implementation role of Management. The Chairman is responsible to spearhead the Board while the Managing Director is responsible for the efficient and effective management and operation of the Company, in accordance with the strategic direction of the Board.

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

In discharging its responsibilities, the Board is assisted by two professionally qualified and competent Company Secretaries that act as counsels and resource support on corporate governance matters. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

The Board is also cognisant of its responsibility to set the ethical tone for the Company. A Code of Conduct and Whistleblowing Policy have been put in place to foster an ethical culture and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy are reviewed periodically by the Board and published on the Company's website.

Board Composition

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

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

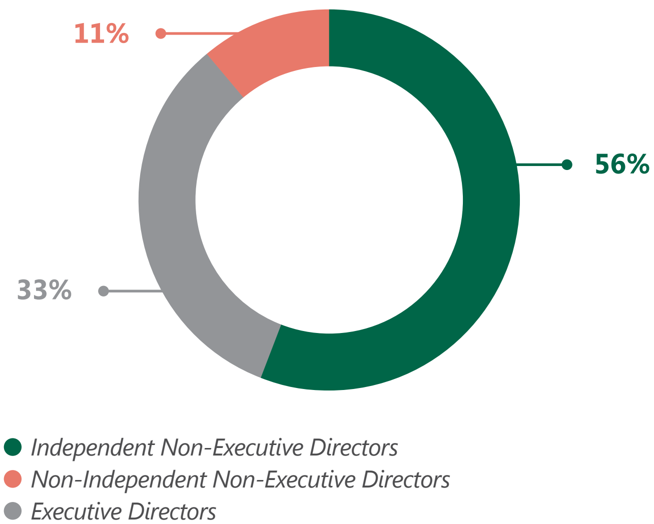
Accounting	**Finance and economics**	**Legal**	**Business management**
Industrial products	**Plantation**	**Automotive**	**Construction/ Property development**

In terms of independence, the Board is currently made up of five Independent Non-Executive Directors, one Non-Independent Non-Executive Director and three Executive Directors including a Managing Director. The presence of majority Independent Directors allows the Board to apply heightened professional vigilance and challenge Management in an unbiased manner and prevent dominance and complacency in the Boardroom. The NC assesses Independent Directors annually to ascertain if they display a strong element of impartiality. In conducting this assessment, the dimension of tenure of service is also considered as to ensure that the same has not reduced impartiality or lack of fresh insights.

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

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

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



Listed issuer	Average tenure of Independent Directors
HSCB	5.80 years
Top 300 listed issuers[1]	6.92 years

[1] *Based on latest available annual reports as at 31 July 2017 (data analytics from KPMG Management & Risk Consulting Sdn Bhd)*

Remuneration

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

Audit Committee

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

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

Risk Management and Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision-making. The Group's risk management and internal control framework covers not only financial controls but also operational, environmental and compliance controls. The Group Risk Management Committee (Management Committee) takes responsibility for risk management, building upon already established structures and mechanisms to implement the processes for identifying, evaluating, monitoring and reporting of risks as well as to take appropriate and timely corrective actions as required. The Managing Director assumes the role of Chairman of the Risk Management Committee while the Chief Executives lead the risk management function of the various business units. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the AC to facilitate timely assessment.

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

Communication with Stakeholders

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

Conduct of General Meetings

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

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

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

Focus Areas on Corporate Governance

Areas which gained prominence from the Board during the financial year ended 31 December 2017 are as follows:

Independence of the Board and Board Committees

During the year 2017, the Board welcomed a new member to its fold, namely, Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, who was appointed as an Independent Non-Executive Director. The appointment of Dato' Wan Mohd Fadzmi allowed the Board to have higher proportion of Independent Directors, thus, facilitating greater checks and balances during deliberations and decision-making.

Changes were made to the composition of the AC so as to enable the Chairman of the AC to be distinct from the Chairman of the Board. This move is designed to facilitate a more objective review of the AC's findings and recommendations by the Board. Changes were also made to the RC, as Mr. Leow Ming Fong @ Leow Min Fong was appointed as a member of the RC in place of Datuk Edward Lee Ming to ensure that the composition of the RC consists of only Non-Executive Directors with majority of them being independent directors.

In relation to the tenure of Independent Directors, the Company has reviewed its Constitution with the view of incorporating enabling provisions to facilitate two-tier shareholder approval process for the retention of an Independent Director beyond the 12 years. The proposed adoption of new Constitution of the Company would be tabled at the forthcoming AGM for shareholders' approval.

Review of Board and Board Committees' policies and procedures

The Board undertook a review and updated its Board Charter alongside the Terms of Reference for each of the Board Committees. Changes were made to reflect the revised regulatory expectations as well as the expectations of stakeholders for Directors to exercise greater vigilance and scepticism in understanding and shaping the direction of the Company. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

The NC also revised the instruments that are deployed to assess the effectiveness of the Board, Board Committees and individual Directors. The assessment criteria in the revised instruments revolve around the mix and composition of the Board and Board Committees, quality of information and decision-making and boardroom activities.

Professional development of directors

During the year under review, Directors have continued to attend various training and courses relevant to the discharging of their function as directors of the Company. In-house talks were also organised on topical areas to keep Directors updated on the latest developments or changes in the regulatory framework, accounting standards and the like. Site visits were also arranged, as necessary, for Directors to gain first-hand views on the Company's operations. Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah attended the Mandatory Accreditation Programme for Directors of Public Listed Companies.

The list of training programmes were attended by the Board members during the financial year ended 31 December 2017 are outlined below:

Name	Programme title	Date(s)
Dato' Jorgen Bornhoft	Malaysian Code on Corporate Governance 2017	26 April 2017
	ASEAN@50 Conference	4 August 2017
	Directors' Continuing Education Programme 2017	21 August 2017
	Investment Insights – China Musing: The Case for Asia and China	22 August 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	Creating & Sharing the Value of Growth thru Communication & Collaboration	7 October 2017
Datuk Edward Lee Ming Foo	Investment Insights – China Musing: The Case for Asia and China	22 August 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
Lee Wee Yong	Companies Act 2016 and Insolvency Act 1967 (Bankruptcy Act 1967 Amended)	16 June 2017
	MFRS 141 Agriculture and MFRS 15 Revenue from Contracts with Customers: Plantation Industry	16 October 2017
	MFRS 15 Revenue from Contracts with Customers Training	24 & 25 October 2017
	MFRS 9 Financial Instruments Training	3 November 2017
	Tax and Business Summit 2017	9 November 2017
Cheah Yee Leng	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	Advanced Company Secretarial Practice – Refreezing the New Companies Act 2016	28 August 2017
	Game-Changers under Companies Act 2016: Key Insights and Implications for Boardroom Matters	4 September 2017
	MAICSA Annual Conference 2017 – Companies Act 2016: A Paradigm Shift	12 & 13 September 2017
	Corporate Directors Training Programme Fundamental 1.0	27 September 2017
	New Malaysian Code of Corporate Governance 2017 – A Comprehensive & Actionable Work Plan	6 October 2017
	Registration of Company & Its Constitution	30 October 2017
	Companies Act 2016. What's New for Company Secretaries?	6 November 2017

Name	Programme title	Date(s)
Datuk Simon Shim Kong Yip	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	The 35th Cambridge International Symposium on Economic Crimes (of which Datuk Simon was one of the speakers)	3-10 September, 2017
Ch'ng Kok Phan[1]	2017 Mercedes-Benz Dealer Investor Conference	13 & 14 July 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	Forum Transformasi National 50	2 May 2017
	Responsible Investment Forum – Kuala Lumpur	14 July 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	Fraud Risk Management Workshop	26 September 2017
Dato' Mohammed Bin Haji Che Hussein	Audit Committee Seminar 2017	13 January 2017
	First International Colloquuim on Islamic Banking and Islamic Finance	11 & 13 February 2017
	BNM Compliance Conference 2017	18 May 2017
	Reshaping the Board's Expectation in Evaluating Opportunities when Executing Overseas Investments	1 June 2017
	Fintech Opportunities for the Financial Services Industry in Malaysia	11 July 2017
	AICB-Global Banking Conference	1 & 2 August 2017
	Malaysian Code on Corporate Governance 2017	23 August 2017
	Pangkor Dialogue - Making the Future Innovative Pathways to Sustainable Development	11 & 12 September 2017
	IFRS 17	21 November 2017
Leow Ming Fong @ Leow Min Fong	Fintech & Digital Economy Conference 2017	12 January 2017
	Big Data Analytics for Competitive Business Advantage	19 January 2017
	Effects of Companies Act 2016 on Accountants and Auditors	4 May 2017
	Shaping the IA Profession (of which Mr. Leow was one of the speakers)	12 June 2017
	CG Breakfast Series with Directors – Board Excellence: How To Engage and Enthuse Beyond Compliance with Sustainability	17 July 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	CG Breakfast Series with Directors – Integrating an Innovation Mindset with Effective Governance	7 November 2017
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah[2]	-	-

[1] *Mr. Ch'ng Pok Khan resigned on 31 March 2018*

[2] *Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah did not attend any training programme during the financial year ended 31 December 2017 subsequent to his appointment to the Board w.e.f 23 November 2017*

Corporate Governance Priorities (2018 and Beyond)

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

Short and medium term plan (one to three years)

Boardroom Independence

In relation to the tenure of Independent Directors, the Company has reviewed its Constitution with the view of incorporating enabling provisions to facilitate two-tier shareholder approval for the retention of an Independent Director beyond 12 years. The proposed adoption of new Constitution of the Company would be tabled at the forthcoming annual general meeting for the shareholders' approval.

Sourcing of Directors

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

Long term plan (three to five years)

Board Diversity

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

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

Corporate Reporting

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2017 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMICG") which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

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

Board's Responsibility

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

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

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

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

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

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

Risk Management

The group risk management committee takes responsibility for risk management, building upon already established structures and mechanism.

Members of the group risk management committee comprise the following:

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

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

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

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

Risk Management (Continued)

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

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

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

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

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

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

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

Internal Control

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

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

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

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

Internal Audit Function

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal Audit Function (Continued)

Hafary Holdings Limited ("Hafary"), the Group's 50.82% subsidiary listed on the Singapore Stock Exchange, outsources its internal audit function to a professional 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 2017 was approximately RM3.87 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 82 to 86 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 Audit and Assurance Practice Guide ("AAPG") 3 (previously Recommended Practice Guide 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 2017, and reported to the board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

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

BOARD COMMITTEES

AUDIT COMMITTEE

Members of the Audit Committee

Dato' Mohammed Bin Haji Che Hussein	*(Independent Non-Executive Director) – Chairman* – *redesignated as the Chairman on 23 November 2017*
Dato' Jorgen Bornhoft	*(Independent Non-Executive Director)* – *redesignated as a member on 23 November 2017*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Mr. Leow Ming Fong @ Leow Min Fong	*(Independent Non-Executive Director)*

Terms of Reference of Audit Committee

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

Meetings

During the financial year ended 31 December 2017, 4 meetings were held. Details of the attendance of each member of audit committee are set out in the Corporate Governance Overview Statement on page 66 of this annual report.

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

Summary of Works of the Audit Committee during the financial year ended 31 December 2017

The works of the audit committee during the financial year ended 31 December 2017 are summarised below:

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

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

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

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

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

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

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

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

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

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

- Reviewed the Group's quarterly unaudited financial results prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and chapter 9 of the Bursa Malaysia Securities Berhad Main Market 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 in circular to shareholders.

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

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

- Reviewed the whistleblowing procedures.

Summary of Works of the Internal Audit Function during the financial year ended 31 December 2017

Summary of works of the internal audit function for the financial year ended 31 December 2017 are set out in the Statement on Risk Management and Internal Control on pages 75 and 81 of this annual report.

REMUNERATION COMMITTEE

Members of the Remuneration Committee

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

Dato' Jorgen Bornhoft	*(Independent Non-Executive Director) – Chairman*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Mr. Leow Ming Fong @ Leow Min Fong	*(Independent Non-Executive Director)* - *appointed on 23 November 2017*
Datuk Edward Lee Ming Foo, JP	*(Executive Director)* - *resigned on 23 November 2017*

Terms of Reference of Remuneration Committee

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

Meeting

During the financial year ended 31 December 2017, 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 2017

The activities of the remuneration committee during the financial year ended 31 December 2017 are summarised below:

- Reviewed the remuneration policy of the executive directors and senior management personnel as well as the industry forecast for 2017/2018 for the average salary increment after taking into account the Company's operating results, individual performance and comparable market statistic to ensure that the executive directors and senior management personnel are adequately incentivised and remunerated to encourage enhanced performance.

- Reviewed and recommended to the board, the proposed bonus of the executive directors for the financial year ended 31 December 2017 and their respective proposed increments for the financial year commencing from 1 January 2018 based on the remuneration policy of the Company and industry forecast for 2017/2018.

NOMINATING COMMITTEE

Members of the Nominating Committee

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

Dato' Mohammed Bin Haji Che Hussein	*(Independent Non-Executive Director) – Chairman* - *redesignated as the Chairman on 28 February 2018*
Dato' Jorgen Bornhoft	*(Independent Non-Executive Director)* - *redesignated as a member on 28 February 2018*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*

Terms of Reference of Nominating Committee

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

Meetings

During the financial year ended 31 December 2017, 2 meetings were held. Details of the attendance of each member of the nominating committee are set out in the Corporate Governance Overview Statement on page 66 of this annual report.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2017

The activities of the nominating committee during the financial year ended 31 December 2017 are summarised below:

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

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

- Assessed the independence of Dato' Jorgen Bornhoft who has served as the independent non-executive chairman of the Company for a cumulative term of more than 12 years. Notwithstanding so, he has continued to advocate professional views without fear or favour and was capable of acting objectively in the best interest of the Company, as well as 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 the independent non-executive chairman of the Company, subject to shareholders' approval.

- 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 more than 9 years. Notwithstanding so, he has continued to advoctate professional views without fear or favour and was capable of acting objectively in the best interest of the Company, as well as demonstrably proven to be in compliance 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 an independent non-executive director of the Company, subject to shareholders' approval.

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

- Reviewed and recommended to the board on the appointment of Mr. Leow Ming Fong @ Leow Min Fong as a member of the remuneration committee in place of Datuk Edward Lee Ming Foo.

- Reviewed and recommended to the board on the appointment of Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah as an independent non-executive director after taking into consideration his experience, competency, skill, time commitment and potential contribution to the Company.

- 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.

- 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 (AGM):-

  (i) Ms. Cheah Yee Leng;

  (ii) Datuk Simon Shim Kong Yip; and

  (iii) Mr. Leow Ming Fong @ Leow Min Fong.

- Evaluated the performance of Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah standing for re-election pursuant to article 103 of the Company's articles of association at the forthcoming AGM.

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

- Reviewed and assessed the adequacy of the Board Charter, Terms of Reference and the Code of Conduct and Ethics adopted by the board.

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

The continued financial success of Hap Seng Group's business is closely connected to the economic, environmental and social aspects of our operations. For us to manage the material issues means that we maintain strong emphasis on responsible practices and continue to upgrade efforts towards customers, employees as well as communities.

Through our investment in capacity building as well as growing the economy, we hope to continue playing a part in the nation's development. The culture of creating value is ingrained within the Group and provides a good platform for the Group with diverse business interests, to further grow our strengths in synergy with each other. Our business divisions thrive on their distinct goals and growth plans, while remaining aligned to the Group's core values.

In 2017, we continued to show progress across key sustainability commitment areas and were guided by a more robust approach to governance.

ABOUT THIS STATEMENT

This is the Group's second sustainability statement pursuant to Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

This statement discloses the Group's efforts in addressing the economic, environmental and social issues of our operations in Malaysia for the year under review, unless otherwise stated. This year, we continued with the Group's commitment to sustainability while continuously improving our policies with particular emphasis on data management. We improved disclosure on electricity, water and health and safety in 2017. We strive to improve year-on-year qualitative and quantitative data tracking and are committed to monitoring and measuring our progress in implementing sustainability throughout the Group.

The scope of this statement covers activities conducted by all our divisions, excluding the plantations division. Hap Seng Plantations Holdings Berhad has a standalone sustainability report with disclosure of its activities. As part of our Group disclosure, this statement will include key highlights of the plantations division's sustainability report.

This statement is confined to operations within Malaysia as the scope of our operations within the country consists of 80% in terms of revenue. Our subsidiary listed on the Singapore Exchange, Hafary Ltd. will publish its sustainability-related information via its own Annual Report.

SUSTAINABILITY GOVERNANCE

While connected to the core values of the Group, each of our business divisions has its own path and plan to success. We place continued focus on the quality and concept of products. Our business divisions are committed to providing excellent customer experience. As such, we continuously upgrade our service quality. Each division's sustainability issues are managed by the respective Chief Executive who reports directly to the Group Managing Director. Group Risk and Group Corporate Social Responsibility (CSR) consolidate and communicate sustainability issues at the Group level.

In adherence to our code of conduct, we have put in place various processes and systems to manage sustainability across the Group with a varying focus at the business unit level based on industry impacts. For instance, Malaysian Mosaics Sdn Bhd (MMSB) has a standalone Sustainability Policy which emphasises its overarching sustainability commitment and affirms that sustainability elements must be incorporated into production. Hap Seng Building Materials Sdn Bhd has a focused Environmental Policy which provides guidelines for environmental management during operations.

Code of Conduct

Our Code of Conduct guides the Group on standards of conduct and ethical practices. The Code aims to prevent situations that might arise from any conflict of interest while setting clear boundaries for expected behaviours.

The Code of Conduct is clearly spelt out in the Board Charter, which can be accessed through the company's website (www.hapseng.com) and is shared during the induction programme for new employees. The expected behaviours and practices are also embedded in documents such as the Employees' Handbook, Letter of Employment, Employee Personal Data Privacy Policy, and Computer Access and Usage Policy, to emphasise to all employees the importance of abiding by the standards defined.

The Code of Conduct covers the following areas:
- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality
- Whistle-blowing

Driving Sustainability

Hap Seng Plantations

Sustainability is an integral part of the Board agenda. The Board reviews and signs off on policies and disclosures, including our new Malaysian Sustainable Palm Oil (MSPO) Policy; Rare, Threatened, and Endangered (RTE) Species Policy and our Sustainability Reports.

2017 Sustainability Highlights at Hap Seng Plantations

SUSTAINABILITY HIGHLIGHTS 2017

- Launch of MSPO Policy and RTE Species Policy
- 61% reduction in lost time accidents since 2014
- 100% of mills RSPO certified
- 100% of mills ISCC EU certified
- 91% of our planted area is certified according to RSPO Principles & Criteria
- Two biogas facilities were successfully commissioned
- 100% of mills HACCP certified
- Estates and mills MSPO certified ahead of the mandatory timeline
- Hap Seng Plantations' ZSL SPOTT ranking listed in the green zone
- 1,656 children and 323 teachers trained in computer coding from 2015 to 2017
- RM2 million invested in children's education in 2017

MATERIALITY

In 2016, the first year Group-wide sustainability impact was formally disclosed, a two-day materiality discussion was convened with key management and data owners. The purpose was to provide clarity to sustainability issues and what this means to the Group, as well as identify key issues and aspects. The results were tabled and approved during an engagement session with Executive Directors. The approved list was disclosed in the sustainability statement 2016.

In 2017, we reviewed all material aspects by analysing global trends, taking into account changes to the risk register and industry-specific issues. The process has been further supported by an assessment of key internal documents and publicly available documents, including press releases.

The process of identifying new material issues further involved discussions by Group CSR with various divisions on issues and opportunities in terms of sustainability. Group CSR was guided by a gap assessment of the inaugural 2016 sustainability statement.

As a result, in 2017, we reviewed the scope of customer service excellence. Two new material issues were also included; namely, construction waste management with particular focus on our property division, and supporting local suppliers for the fertilizers trading and building materials divisions. These issues are pertinent to our businesses and stakeholders from a sustainability perspective. Thus, we have invested our best efforts and strategies to address them.

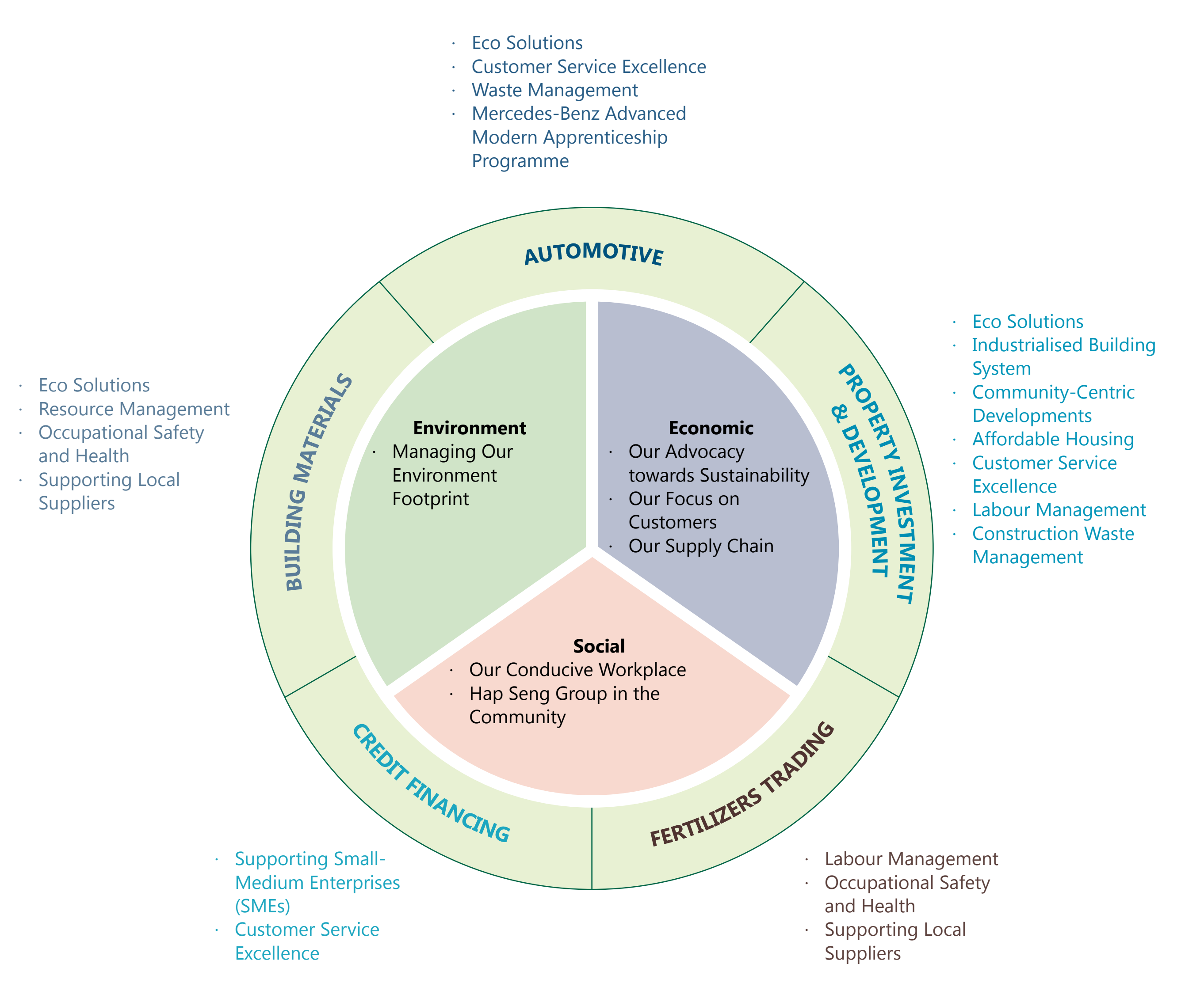
Moving forward, we will be incorporating external stakeholder views and map stakeholder priorities accordingly.

STAKEHOLDER ENGAGEMENT

Membership	Member	Engagement	Remarks
Federation of Public Listed Companies (FPLC)	Hap Seng Consolidated Berhad	Networking and engagement with PLCs, regulatory and related bodies	FPLC, a non-governmental organisation established in 1987, is open to all public listed companies (PLCs) in the Stock Exchange of Malaysia. It provides Hap Seng Group with a platform to interact and dialogue with the public as well as regulatory and other bodies such as the Minority Shareholder Watchdog Group.
Malaysian-German Chamber of Commerce (MGCC)	Hap Seng Consolidated Berhad	Networking with MNCs, senior government officials	MGCC organises dialogues with representatives from the German government as well as companies based in the country for networking purposes and to explore opportunities in the Malaysian-German business community.
British Malaysian Chamber of Commerce (BMCC)	Hap Seng Consolidated Berhad	Networking with MNCs, senior government officials	BMCC takes on the role of catalyst to provide Malaysian-based businesses with networking, exposure, knowledge exchange and bilateral trading support services across industries.
Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO)	Hap Seng Plantations Holdings Berhad	Certification and Annual Surveillance Certification	Engagement with all stakeholders throughout the supply chain on certified sustainable palm oil matters.
Federation of Malaysian Manufacturers (FMM)	Malaysian Mosaics Sdn Bhd	1. Council Member 2. Chairman FMM – Malaysian Ceramic Industrial Group (FMM MCIG) 3. Committee member – CITP (Construction Industry Transformation Programme) initiative Group on Materials Standards 4. Chairman – FMM Energy management committee	1. With 3,000 members nationwide, FMM is officially recognised as the voice of the industry. 2. FMM MCIG is a national industry club representing the interests of manufacturers of ceramic floor and wall tiles, clay roofing tiles, clay pipes, sanitary ware and tableware. 3. Representing FMM, this steering committee is working towards the implementation of mandatory materials standards. 4. Representing the interests of members in all energy-related dialogues with the government and its agencies for the inclusive formulation of energy-related policies and regulations.

Membership	Member	Engagement	Remarks
Automotive with Malaysia Retail Chain Association (MRCA)	Hap Seng Star	Networking and engagement with government	With a 500-strong membership, MRCA provides a platform for Hap Seng Star to participate in regular dialogues with members and the government for better co-operation, networking and ideation in a concerted effort to promote healthy growth of the retail industry in Malaysia and abroad.

Our Material Issues



Economic

Responsible business practices in the marketplace.

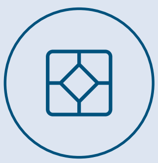
Our Advocacy towards Sustainability

Material Economic Aspect	Key Impact Areas	Focus in 2017
Our Advocacy Towards Sustainability	Eco Solutions	• Property Investment and Development • Automotive • Building Materials
	Industrialised Building System (IBS)	• Property Investment and Development
	Community-Centric Development	
	Affordable Housing	
	Supporting SMEs	• Credit Financing

Eco Solutions

Property Investment and Development

Automotive



Building Materials

Our efforts are moving towards solutions that reduce waste, increase energy efficiency and lower resource usage, aligning both our economic and environmental footprint. This in turn enhances our competitiveness.

Green Buildings

We are committed to conforming to sustainability certifications such as Malaysia's Green Building Index (GBI) or Leadership in Energy and Environmental Design (LEED) for all our new developments in Kuala Lumpur.

In 2017, we were awarded the LEED Gold Certification for Wisma Mercedes-Benz. The six-storey industrial facility was accredited as the first green industrial building in Subang Jaya and an example of a holistic live and work space. It addresses site constraints as well as incorporates various green features including water conservation and the maximisation of natural lighting, with a courtyard built within the office area to raise the indoor environment quality and improve staff productivity.

Moving forward, the Group will be applying for GBI or LEED certification for the following projects:

- Nadi Bangsar Service Residence
- The Aria Luxury Residences
- Mixed Development at KL Metropolis Plot 5A
- Menara Hap Seng 3
- Jalan Kia Peng Service Residence

In line with this, all properties under construction have rainwater harvesting systems and energy-saving lighting. We will be reviewing the possibility of introducing these features to low-cost housing in the future.

Efficient Mobility

We adopt sustainability practices in our operations such as providing charging stations for hybrid and electric vehicles; having a water management system; as well as installing eco-friendly equipment at our centres.

A rainwater harvesting system is also utilised for the car wash in Balakong and Kinrara Autohaus. In addition, we have installed LED lights to reduce electricity consumption.

We also offer electric and hybrid solutions as we help our country shape efficient mobility through Hap Seng Star. To encourage usage of such vehicles, we provide charging stations at all our dealerships for customers' convenience.

In terms of our own operations, the following eco-friendly materials and equipment are being utilised:

- Eco-friendly water-based paint instead of chemical solvents
- Machines and equipment that recycle solvent waste
- Air-conditioner recycling equipment to prevent harmful gases from being released into the atmosphere. Concurrently, this will reduce cost and lessen the generation of waste.
- We installed a rainfall harvesting system that results in less municipal water used.
- A solar power project has commenced at our Kinrara dealership and should be fully operational in 2018.
- Used oil is disposed of at an oil change facility.
- Scrap metal is recycled to reduce the consumption of natural resources.
- We use the Drester Gun Cleaner (spray gun cleaner), a fully automated machine, which recycles and eliminates the manual handling of solvent waste. It reduces the reliance on raw materials, while minimising pollution and energy used. In addition, it cuts down the volume of waste to be treated and disposed of.

We also have ISO 9001 and ISO 14001 certifications for Hap Seng Star Sdn Bhd.

Green Products

Our green products have been produced with the environment in mind and reinforced with better technology for durability. For example, the ceramic tiles produced from recycled powder, dust powder, green tiles and filter cakes bear similar properties to regular MML ceramic tiles. Our factories harvest rainwater and recycle the water as part of their production practices and as part of our zero wastewater approach. We maximise the energy efficiency through process optimisation by recycling waste heat from kilns to dryers.

MMSB's recycled ceramic materials have contributed to the production of 5.5 million m^2 green products by the Group in 2016 and 6.1 million m^2 for 2017.

Year	2016	2017
Number of green products produced (m^2)	5.5 million	**6.1 million**

These innovations have not gone unrecognised by the industry as MML tiles continue to garner various awards. The World Branding Award – Brand of the Year 2017-2018, Home & Garden for the tiles category was one such global honour, with a particular mention of the focus on design, quality, technology and sustainability. Some of the other awards received in 2017 were:

- Asia Responsible Entrepreneurship Awards 2017 – Green Leadership Category Award
- MSOSH Occupational Safety & Health Award 2016 – OSH Gold Class I Award (MMSB 2*)
- MSOSH Occupational Safety & Health Award 2016 – OSH Gold Class I Award (MMSB 3*)
- MSOSH Occupational Safety & Health Award 2016 – OSH Gold Class II Award (MMSB 1*)

** Names of our factories*

Our recycling processes are not limited to tiles but extend to the manufacture of other products made by the Group, such as bricks by Hap Seng Clay Products Sdn Bhd. For example, ceramic materials recovered from the polishing water treatment plant and other powder waste that cannot be used in ceramic tile production are recycled and used to produce bricks. Our Sedenak Brick Factory in Johor executes this process. The bricks which use waste materials amounted to 16.1 million and 59.8 million pieces in 2016 and 2017 respectively. These green bricks are used mostly for residential buildings.

Industrialised Building System (IBS)

Property Investment and Development

The Construction Industry Development Board (CIDB) projects a 5% reduction in construction cost by the year 2020, if the use of IBS is made mandatory by then mainly due to the decrease in foreign labour workforce and the shortened duration of project completion.

Community-Centric Development

Property Investment and Development

We build our townships with the needs of communities in mind. Well-planned townships, which provide easy access to transport, amenities and a relaxed and clean environment, entice greater ownership of homes.

An example of such integration can be seen in the Bandar Sri Indah development. One of the facilities we have implemented to meet the requirements of the community is the Southern Central Lake Garden which was completed in 2017. Covering approximately 15.5 acres, the recreation park has amenities such as a jogging track and a gazebo. Taking into account completed, ongoing and future developments in Bandar Sri Indah, we project that approximately 4,000 households would benefit from these facilities. Our aim is to enable residents here to enjoy an enhanced quality of life.

Hap Seng's Emergency Response Team (ERT)

As Bandar Sri Indah is quite a distance from the nearest fire station, the Group has taken the initiative to set up an ERT to provide quick action and assistance to residents in the event of an emergency. The team, trained and certified by the Fire and Rescue Department of Malaysia as a first responder, should be able to facilitate quick and correct assistance to residents through a one-stop centre which would communicate and coordinate with all public emergency services in the township development.

Affordable Housing

Property Investment and Development

We support the move towards affordable housing for low- and middle-income households. Currently our affordable housing projects are focused in Sabah and include the MyHome Scheme and 1Malaysia Civil Servant Housing Scheme (PPA1M) in Bandar Sri Indah and PPA1M in Ria Heights. In 2017, we also launched 512 units of affordable apartments in Bandar Sri Indah. In Peninsular Malaysia, we launched Rumah Selangorku in Puchong.

As a testament of the Group's steadfast commitment to providing affordable housing to the local population, we plan to launch a further 512 units of affordable apartments and 772 units of affordable terrace houses within the Bandar Sri Indah mixed development in Tawau. Liveability and safety are two aspects that we have integrated into the project plans as part of our belief in holistic development.

Supporting SMEs

Credit Financing

SMEs are drivers of economic growth and job creation. Through the Hap Seng credit financing division, we provide approximately 75% of our financial services to small and medium-sized businesses. In 2017, we also recorded about 17.5% repeat customers.

As part of our wider support to the community, we have partnered with an online crowdfunding platform, SimplyGiving.com, to provide social enterprises with a working capital. Currently, four social entrepreneurs are supported under this social lending programme: Women Of Will, AnB Agro Trainers, The Batik Boutique and Foodabox.

Our Focus on Customers

Material Economic Aspect	Key Impact Areas	Focus in 2017
Our Focus on Customers	Customer Service Excellence	• Property Investment and Development • Credit Financing • Automotive

The Group is cognisant of the fact that in the service industry, customer relationships are key drivers to generating loyalty because good service is difficult to replicate. Multiple studies have shown that such relationships developed by organisations through their customer service have measurable impact on the company's economic performance along with increased returns for shareholders.

Customer Service Excellence

Property Investment and Development

Credit Financing

Automotive

Throughout the entire Group, we greatly emphasise the need for excellent customer service. We take extra effort to ensure we receive feedback from customers, and at times go out of our way to meet them at their convenience. At the property and credit financing divisions, the Personal Data Protection Act (PDPA) forms are distributed to our customers to assure them that their privacy is protected.

Property Investment and Development

At the property division, we emphasise excellent customer service in all our operations, from the execution of sales, property handover to expiry of defects liability period. In a customer satisfaction survey conducted in Nadi Bangsar, where 218 out of a total of 416 invited unit owners participated, it was found that 89% of respondents would recommend Hap Seng Land products to their friends and/or family. Nadi Bangsar was also awarded the High Qlassic Achievement Award 2017 with a Quality Assessment System in Construction (QLASSIC) score of 80%.

The results of the surveys confirm that we have a good reputation in the property market. Our customers and tenants commend us on our excellent service. We will continue to build on our good reputation by constantly improving our customer and tenant satisfaction. At the same time, we also send our sales and customer service staff for training to enhance their interpersonal skills during and after-sales.

	Response Rate	Tenant Satisfaction Rate
Menara Hap Seng	72%	79%
Menara Hap Seng 2	95%	82%
Plaza Shell	100%	77%

Credit Financing

We provide training to employees on data privacy and security practices. Every business unit is expected to strictly adhere to all regulatory requirements concerning information and data security.

Automotive

Customer service at our automotive division is guided by the annual Customer Satisfaction Index (CSI) in assessing performance and measuring progress. The aim of the CSI is to ensure customer loyalty and satisfaction, while maintaining a high retention rate. We are committed to fulfilling the evolving needs of our customers. Additionally, we have invested heavily in our dealership networks to continue serving our growing customer base. Our after-sales team will continue to focus on customer retention programmes. This includes providing extended warranties and the Star Care Maintenance Package. We will continue to improve productivity and efficiency while optimising labour utilisation.

Indicator	2016	2017
Average CSI result (%)	95%	**96%**
After-sales CSI (%)	88%	**91%**
Customer Loyalty Index (%)	N/A*	**83%**

Data covers all branches
** Tracking commenced in 2017*

The numbers in the table reflect our automotive division's continuous advancements in meeting our customers' expectations.

Part of our programme to maintain high customer satisfaction includes ensuring our service staff come from a pool of highly-qualified technicians and after-sales support staff. This is evident in our continued partnership with the Mercedes-Benz Malaysia Training Academy in 2017, ensuring there is a constant supply of well-trained personnel. Our automotive division managed to hit 83% in the Customer Loyalty Index survey.

The results were part of an annual customer appreciation event via a movie screening where customers were given an overview of the automotive division and a briefing on the various features, including the safety features, of the vehicles.

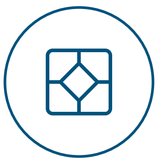
Our Supply Chain

Material Economic Aspect	Key Impact Areas	Focus in 2017
Our Supply Chain	Supporting Local Suppliers	• Fertilizers Trading • Building Materials

We remain diligent in promoting sustainability through our supply chain by increasing efforts in Group-wide labour management and tracking waste in the property division.

Supporting Local Suppliers

Fertilizers Trading



Building Materials

As a diversified Group, we know that our business will benefit many local suppliers. We continuously prioritise working with local suppliers in our procurement decisions. We know that enhancing our supply chain will not only benefit suppliers directly but also have a ripple effect on the local and national economy while ensuring effective cost management and a timely delivery of products and services to our business units. For instance, 100% of the building materials division – trading segment procurement spent was on local suppliers.

Division	Percentage of Local Suppliers (%)
Fertilizers Trading	73%
Building Materials • **Trading Segment**	100%

The procurement of our construction materials is done through Hap Seng Trading which, as a business unit under the Group, adheres to the Group's policies. We have ongoing discussions with contractors in the areas of waste management at the property division as well as with internal stakeholders with regard to foreign labour rights. Moving forward, we will be introducing more detailed guidelines for our suppliers.

Management of Foreign Workers

Some of our divisions rely on foreign workers, who are either hired directly or via agents. All contractors acting as vendors for Hap Seng Group are strictly required to comply with the rules and regulations set by the Immigration Department in relation to the management of foreign workers. We integrate human rights policies into our labour management practices in compliance with the Employment Act 1955 as well as the Industrial Relations Act 1967. This includes freedom of association and collective bargaining, the prohibition of child labour, as well as forced or compulsory labour.

Environment

We continue to pursue ways to manage and minimise our impact on the environment by enhancing our policies and procedures year-on-year.

Managing Our Environmental Footprint

Material Environmental Aspect	Key Impact Areas	Focus in 2017
Managing Our Environmental Footprint – Resource Management	Energy Consumption and Management	• Group
	Water Consumption and Management	• Group
	Waste Management	• Automotive • Building Materials
	Construction Waste Management	• Property Investment and Development
	Greenhouse Gas Emissions (GHG)	• Building Materials
	Dust Emissions	
	Noise Emissions	

As a Group with diversified business interests, managing our impact on the environment is essential. Since our first sustainability statement, we have started collecting data to better monitor our impact on the environment as well as put in place necessary systems and procedures with the aim of reducing our carbon footprint.

Hap Seng Fertilizers Trading

We trade and distribute fertilisers through Hap Seng Fertilizers Sdn Bhd. We operate our own Nitrogen, Phosphorus and Potassium (NPK) compaction plant in Lahad Datu. NPK is an essential fertiliser in growing food crops to meet the rising food demands. Our NPK plant operates in accordance with the Quarterly Environmental Compliance Report to ensure it adheres to all local environmental regulations as well as health and safety regulations.

The ceramic tile segment, one of our building materials segments, has set targets for electricity and water consumption as well as emissions. We view these targets as crucial not only because of the subsidy rationalisation by the government on the price of natural gas and electricity but also because it is a way to measure our impact on the environment. This is vital to us in terms of water usage as it directly contributes to how we manage dry spells that occur annually in Kluang, Johor, where our ceramic tile factories are located.

Energy Consumption and Management

Group

We rely on energy to run our businesses, be it the quarry, asphalt and brick segment; trading; or ceramic tiles in our building materials division. The natural gas and electricity consumption for ceramic tile production accounts for 25% of its cost. We have adopted eco technological solutions with the aim of reducing energy consumption.

Electricity Consumption of MMSB

Indicator for per unit tile production	Unit	2016	2017	2017 Target	Achieved
Electricity consumption	kWh/m^2	5.75	5.89	<6.10	√

* *Based on energy utilised in factories only.*

To date electricity consumption per unit tile production has increased. This is because production output was 2.19% lower in 2017.

Division	2017 Electricity Consumption (kWh)
Property Investment and Development	15,502,762*
Credit Financing	381,645**
Automotive	4,027,139***
Fertilizers Trading	643,040**
Building Materials • Quarry, asphalt and brick segment • Ceramic tile segment	 • 26,068,099** • 67,722,778
Total	**114,345,463**

* *Data takes into account Menara Hap Seng (MHS), Menara Hap Seng 2 (MHS2) and Plaza Shell, covering the consumption of HSCB and its subsidiaries, as well as common areas. Consumption arising from the usage of the centralised air-conditioning by all tenants is included. Usage by tenants is beyond our control as they can request for an extension of air-conditioning after regular working hours.*

** *Data covers operations in Malaysia. For quarry, asphalt and brick segment, the data covers only plants and quarry equipment but not the office.*

*** *Covers 8 branches except one that was newly-opened in Iskandar Malaysia, Johor, in September 2017.*

Our automotive division's solar panel project for Kinrara Autohaus is in its final stage, and we expect to disclose relevant data about it from 2018 onwards.

Ceramic Tile Segment

- Energy meters have been installed on machines that consume a lot of electricity.
- Soft starters and inverter motors are being used to reduce current surges and to regulate voltage when powering up machines and equipment.
- The temperature in rooms is controlled.
- Compressed air is utilised and maintained to ensure no wastage and leakage.
- Skylight/transparent roofs and LED high bay lights are used for energy-efficient lighting.
- A dedicated Energy Committee has been formed to plan, manage and closely monitor energy consumption.

Natural Gas and Diesel

Natural Gas Consumption for MMSB

Indicator for per unit tile production	Unit	2016	2017 Actual	Target	Achieved
Natural gas consumption	$mmBtu/m^2$	0.11	0.11	<0.12	√
Diesel consumption	$litres/m^2$	0.04	0.04	<0.05	√

* *Based on energy utilised in factories only.*

MMSB's initiatives to enhance the performance and usage of natural gas and diesel:

- Installation of Waste Heat Recovery at the kilns to channel heat back into the dryer and spray dryer.
- Increase of production output while maintaining product quality through improved formulas whereby tiles can be fired faster.
- Investment in technology by replacing all gas burner nozzles with an improved high-efficiency alternative.
- Scheduled maintenance of the facility's pipes and equipment to ensure fuel is not wasted through leaks, and burners are used more efficiently.

The Benefits of Smart Warehousing

The implementation of the automated storage and retrieval system (ASRS) in MMSB has enabled us to lessen the number of manned forklifts and thus reduce the usage of diesel and lighting. This smart warehousing solution utilises a computer-controlled robotic system for storing, sorting and retrieving loads from shelves, stacks and other inventory locations, thereby increasing the efficiency and accuracy of stock retrieval.

Water Consumption and Management

Group

We have undertaken various initiatives to monitor and track water consumption throughout the Group. While most of our operations do not consume a substantial volume of water, we have nonetheless put in place systems to reduce water usage. These systems are further complemented by vital facilities to monitor consumption, especially in operations involving our automotive service centres, building materials divisions and tile factories.

Indicator for per unit tile production	Unit	2016	2017 Actual	Target	Achieved
Water Consumption	m^3/m^2	0.018	0.017	≤0.018	√

* *Based on energy utilised in factories only.*

Division	2017 Water Consumption (m^3)
Credit Financing	1,995*
Automotive	49,810**
Fertilizers Trading	9,457*
Building Materials • Quarry, asphalt and brick segment ◦ Surface water ◦ Underground water ◦ Piped water • Ceramic tiles segment	 • 216,405 ◦ 164,752 ◦ 40 ◦ 51,613 • 194,549
Total	**472,216**

* *Covers operations in Malaysia. For credit financing division, data covers all Malaysian branches except for water utility payment which is covered via rental and fixed charges.*
** *Covers 8 branches except one that was newly-opened in Iskandar Malaysia, Johor, in September 2017.*
*** *Water consumption at property division is not included as it consists of tenants' water consumption.*

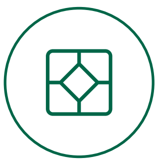
Some Ways Our Building Materials Division Manages Water Consumption

For the ceramic tile segment, water consumption from surface and groundwater amounted to 27% of total water usage. MMSB production facilities conduct rainwater harvesting and all facilities have water treatment plants where water is recycled to minimise metered water consumption.

Our quarry, asphalt and brick segment uses water sourced from water pits within our quarries. These pits were constructed as a sedimentation pond to prevent sludge from contaminating surrounding water sources as well as to collect rainwater. 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

Automotive



Building Materials

Our business division adheres to the Environmental Quality (Scheduled Wastes) Regulations 2005 for waste management. We have made it a priority to ensure all solid wastes and effluents are managed according to set regulatory requirements. We apply various methods to reduce or recycle waste within our facilities. For example, MMSB has a closed loop water management system where wastewater is treated and recycled for plant usage. No wastewater is discharged to municipal drains. The fertilizers trading division notes that wastage that occurs during the transportation of products is less than 1% and has no direct impact on the environment. Our quarry business complies with the Department of Environment's waste management guidelines.

We continue internal efforts to reduce, reuse and recycle in our operational areas, be it paper in our offices or effluents discharged from our quarries and ceramic tile factories. MMSB recycles packaging materials and an agreement has been made with our suppliers through purchase orders and contracts. The division's own packaging material is made of either unbleached recycled or recyclable paper materials.

Scheduled waste* (tonnes) in our business divisions

Division	2016	2017
Automotive	-	**123.0****
Building Materials – Ceramic tile segment	106.1	**97.4**
Total	106.1	**220.4**

* *Handled by Department of Environment (DOE) approved vendors for treatment and/or recovery.*
** *Data covers five major after-sales centres*

Division	Waste Landfilled (tonnes)	Waste Recycled (tonnes)
Automotive	23.6*	13.5*
Building Materials – Ceramic tile segment	312.0	20,152.4
Total	**335.6**	**20,165.9**

* *Data covers five major after-sales centres and consists of scrap metals, carton boxes, oil drums, paper and spent plastic.*

A total of 16,409.6 tonnes of waste was recycled while 385.7 tonnes was landfilled by MMSB in 2016. There is a 23% increase of waste recycled and a 19% decrease of waste to landfill from 2016 to 2017.

E-waste recycling initiatives (MHS & MHS2)

At MMSB, we purchase cartons made from recycled paper. In addition, our paper products are made from recycled carton, newspaper and other types of papers. Under this programme, we consumed 2,047 tonnes in 2017 (2016: 2,655 tonnes). Thus, we were able to save 23% of paper used.

Construction Waste Management

Property Investment and Development

Division	Waste Disposed (tonnes)	Waste Recycled (tonnes)
Property Investment and Development*	1,100	541

* *Data covers waste at the construction site of The Aria Luxury Residences and Menara Hap Seng 3 only.*

Monitoring and reporting on proper waste disposal is undertaken as part of our operations. For instance, at our construction sites, we have dedicated areas for the collection of waste. Here, waste is separated into recyclable and non-recyclable materials prior to their appropriate disposal.

Our property division has set up the Waste Data Collection Report for construction sites in Peninsular Malaysia. This will give the division insight into how waste management is being handled at construction sites by external contractors. Site contractors are provided with three separate bins for the segregation and collection of waste, namely: i) recyclable timber; ii) recyclable metal/steel and iii) non-recyclable waste. As a matter of monitoring, contractors are required to produce receipts to document the weightage of materials sent for recycling. This data is collected by the respective contractors.

GHG Emissions

Building Materials

We focus on Scope 1 and Scope 2 for GHG emission management. Scope 1 emissions are from sources directly owned by the Group and Scope 2 is emissions produced from the consumption of purchased electricity and natural gas.

Ceramic Tile Segment

Indicator for per unit tile production	Unit	2016	2017 Actual	Target	Achieved
Scope 1 GHG Emission	tCO_2/m^2*	0.00011	0.00011	< 0.00012	√
Scope 2 GHG Emission	tCO_2/m^2*	0.0102	0.0105	< 0.0108	√

* *Based on energy utilised in factories only.*

The automotive division is also subject to air quality checks twice a year via an air quality sampling session. This includes service centres, where samples are taken at the body and paint works areas. Additionally, the bay exhaust vents are inspected.

Dust Emission

Building Materials

To manage the dust at our quarry operations, we have implemented enclosed conveyors and dust suppression systems which trap airborne dust. It is worth noting that our quarries produce dust within the permissible limits in accordance with the EIA order. Hap Seng Building Materials invested in an environmental monitoring system for surface water sampling; ambient air and noise monitoring; vibration monitoring; and stack emission monitoring in 2017.

In our tile making factory, we have installed a vacuum system to trap dust particles, which are then used as recycled materials in MMSB. In 2017, we engaged an external expert to conduct assessments on dust emissions, noise pollution and water contamination on a half yearly basis. This process will enable us to manage emissions better.

Noise Emission

Building Materials

To manage operational noise from blasting and crushing activities at our quarries, we have taken various steps to comply with the Minerals & Geoscience Department's requirements and regulations as well as the EIA. This is to also ensure that we reduce our environmental impact. Quarterly assessments are conducted by our environment consultants to ensure that the noise produced is within the permitted levels.

We are guided by our own Environmental Management Plan which includes the installation of bunkers to reflect the noise produced when blasting rocks. For quarries that require noise emission monitoring, we maintain the noise produced within the permissible limits of the EIA regulations.

Social

Employees are key to our success. We believe in providing an encouraging workplace where inclusion and equal opportunity play a vital role.

Our Conducive Workplace

Material Social Aspect	Key Impact Areas	Focus in 2017
Our Conducive Workplace	Occupational Safety and Health (OSH)	• Group
	Employee Engagement	• Group
	Labour Management	• Group
	Diversity and Equal Opportunity	• Group
	Mercedes-Benz Advanced Modern Apprenticeship Programme	• Automotive

A conducive workplace which offers diversity and equal opportunity as well as prioritises safety and health is mandatory. In addition, we make it a point to listen to our employees and engage them, while also growing the communities around us.

Occupational Safety and Health

Group

OSH is emphasised throughout the Group especially in the fertilizers trading and building materials divisions. We have in place OSH regulations for a safe working environment and will continue improving our policies, systems and procedures. The emphasis on health and safety is also extended to contractors and members of the local communities.

Year	LTIFR* 2016	LTIFR* 2017	Number of fatalities
Property Investment and Development**	-	0	0
Fertilizers Trading	-	1.31	0
Building Materials **• Quarry, asphalt and brick segment** **• Ceramic tile segment**	 • 0.32*** • 3.7	 • 0.48 • 3.6	 • 0 • 0

* *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.*

** *Data covering construction sites at The Aria Luxury Residences, Rumah Selangorku at D'Alpinia, Akasa Cheras South, and Menara Hap Seng 3.*

*** *Restatement of data due to revision in the number of employees.*

A group photo to record a meaningful discussion at the Hap Seng Group CSR Tabletalk held at Plaza Shell.

Participants listening attentively to the health talk on cardiac arrest and back pain.

The property division conducted a total of 401 toolbox briefings and 46 safety training sessions last year. We also conducted 239 fogging exercises at our construction sites.

Our automotive division is in the midst of establishing an OSH policy while having in place safety and health guidelines for after-sales operations across all our centres.

The fertilizers trading division reviewed its Chemical Health Risk Assessment, which is required by the Department of Occupational Safety and Health. This was conducted to:

a) identify hazardous chemicals stored and handled on the premises;
b) identify work units that come into contact with hazardous chemicals and evaluate staff exposure to them;
c) evaluate the efficiency of controls placed at the workplace in managing such chemicals;
d) identify any health risks to employees arising from the presence of these hazardous chemicals and controls placed to mitigate such risks.

The Building Materials division conducted a total of 189 safety walks (in 2017) which provided managers with a chance to observe the grounds and identify opportunities to improve workplace safety as well as site safety and housekeeping.

A Safety and Health Policy is in place in our quarry, asphalt and brick segment. MMSB is certified by SIRIM and IQNET internationally for achieving full compliance with OHSAS 18001:2007 – a testament to our workplace safety and commitment to minimising risks to our employees.

Employee Engagement

Group

We continue to engage our employees regularly. This enables us to hear our employees' feedback and provide a conducive workplace.

The Balanced Scorecard methodology is used to drive diverse divisions towards achieving a common strategic direction and business objectives. The four dimensions covered in the Scorecard are Financial, Customer & Markets, Internal Processes, and Learning & Growth. At the same time, the achievement against the defined measures and targets will translate into corresponding compensation rewards at the end of each performance period. This will instil and reinforce a performance driven culture within our Group.

Safety and Health Week at Menara Hap Seng

Almost 600 participants attended the talks during our safety and health week organised by the Bureau of Safety and Health of Menara Hap Seng. The campaign was held for the benefit of Hap Seng employees and tenants based at Menara Hap Seng as well as members of the public frequenting the building.

The safety and health campaign aimed to create awareness on health care and safety in both the work and home environment. Various other talks and exhibitions on the topic of health and safety were held during the campaign. Booths were also set up to drive home the point. Some agencies were on hand to provide free health screenings. A basic CPR demonstration was conducted and the public was given the opportunity to practise dealing with emergency situations. The Fire Prevention Society displayed fire prevention equipment while the LPPKN (The National Population and Family Development Board) promoted family wellbeing.

Labour Management

Group

It is part of our culture to maintain an "Open Door" policy where we encourage communication, feedback and discussion on any matter of importance to staff. An employee is encouraged to convey grievances to the next level. Any unresolved grievances or discontentment can be referred further to the Group Human Resource Division.

At our property division, we engage with contractors on waste tracking. We also undertake discussions with internal stakeholders pertaining to immigration rulings and requirements regarding foreign workers at the Group.

Diversity and Equal Opportunity

Group

The way to achieve a thriving workplace is to encourage diversity and equal opportunity in the Group from different perspectives including gender, age, ethnicity, race, nationality, professional background, skills and experience. While we strive towards attaining an optimum balance, we create opportunities where warranted, without compromising our commitment to shareholders and the communities we work in.

Mercedes-Benz Advanced Modern Apprenticeship Programme

Automotive

Hap Seng Star provides scholarships and on-the-job training for students at the Mercedes-Benz Advanced Modern Apprenticeship Programme in Malaysia. This programme benefits both the students and Hap Seng Star as it provides hands-on experience and specific knowledge of the mechanics and electronics of Mercedes-Benz while also ensuring there is a steady stream of trained and skilled technicians. For the Year 2017-2020 batch, we have 83 participants in the programme.

Description	2015	2016	2017
Workforce data			
Total number of employees	3,202	3,408	**3,486**
Number of employees, by gender			
Female	1,019	1,070	**1,131**
Male	2,183	2,338	**2,355**
Number of employees, by age group			
<30	788	928	**1,005**
30 – 40	1,059	1,090	**1,082**
40 – 50	854	876	**841**
>50	501	514	**558**
Number of employees, by ethnicity			
Bumiputra	1,786	1,831	**1,881**
Non-bumiputra	1,154	1,225	**1,286**
Foreigners	262	352	**319**
Number of employees, by region			
Peninsular Malaysia	2,270	2,470	**2,536**
East Malaysia	932	938	**950**
Percentage of women in management			
Board Level	11.1%	11.1%	**10.0%**
Top Management	16.1%	14.3%	**16.1%**
Senior & Mid Management	36.3%	38.0%	**40.6%**
Executive/Supervisory	47.6%	49.3%	**51.4%**
Graded	24.7%	23.4%	**23.5%**

Description	2015	2016	2017
New hires data			
Total number of new hires	780	766	**856**
Number of new hires, by gender			
Female	228	215	**239**
Male	552	551	**617**
Number of new hires, by age group			
<30	441	469	**613**
30 – 40	208	193	**150**
40 – 50	84	87	**65**
>50	47	17	**28**
Number of new hires, by region			
Peninsular Malaysia	623	643	**695**
East Malaysia	157	123	**161**
Turnover rate	21.0%	15.6%	**19.7%**
Percentage of unionised employees	25.4%	25.0%	**25.9%**

Hap Seng Group in the Community

Material Social Aspect	Key Impact Areas	Focus in 2017
Hap Seng Group in the Community	• Multi-stakeholder Dialogue in the Community	• Group
	• Hap Seng Group in MCII	
	• Community of Coders through the Hap Seng Group D-Code	
	• Hap Seng Group Internet of Things (IoT)	
	• OSH in Schools	
	• Empowering the Tanjung Batu Community	
	• Leadership Summer Camp in Tawau	
	• Tawau Vision School	

Group CSR oversees community programmes conducted across all business divisions, spearheading various initiatives and programmes across key focus areas that impact a wide range of beneficiaries.

The culture of giving back is embedded in our history, hence we continually encourage our employees to volunteer for good causes which benefit the community. We have also moved to an outcome-based strategy in our longer-term community programmes. This is beginning to show tangible results, not just for the community, but increasingly with a multiplier effect.

As a result, the Group is today regarded as a key corporate participant in multi-stakeholder panels with deeper dialogue and action-based plans for the community. In 2017, we invested approximately RM8.7 million in various community initiatives.

Multi-stakeholder Dialogue in the Community

The Group initiated the Sabah Education Round Table to discuss education issues in Sabah with the state Education Department, foundations and corporate funders as well as NGOs. As a result, a communication channel between NGOs and the state Education Department was established and a list of education-based issues and priorities was outlined.

Two more roundtables have since been initiated. Having shaped the ecosystem and initiating the communication strategy, Hap Seng Group now plays the role of advisor and connector.

Hap Seng Group in MCII

Hap Seng Group is a founding member and a member of the steering committee in Malaysian Collective Impact Initiative (MCII). The MCII is a stakeholder collaboration model programme aimed at achieving systemic educational and social change in Malaysia through cross sector partnerships. MCII works with schools and the community to identify needs and map these to member programmes in a coherent framework to improve education results.

MCII has chosen to focus on schools in the Klang district. All programmes carry a common agenda on literacy development and career aspirations. Initially starting with two schools, the MCII programme is now present in 12 primary and secondary schools. Hap Seng has played a crucial role in introducing the D-Code to all 14 schools under the MCII.

Aiming to encourage collaboration among NGOs and social entrepreneurs, the MCII Klang community identified the following needs:

- Improving child nutrition
- Providing high quality affordable early years education
- Upskilling at-risk youth
- Providing safe after school spaces

With the theme “The Collaboration Challenge”, Hap Seng Group hosted the 12th Funders’ Roundtable which aimed to reach out to NGOs, social entrepreneurs and individuals to encourage collaboration for better impact through shared resources, expertise and vision.

This challenge saw three or more NGOs and social enterprises collaborating to develop a solutions-oriented programme to solve any of the identified social issues. Out of a total of nine teams who pitched their solutions to the funding partners, **MakanLah’s Canteen Food: The Healthy Way** and **Impact Hub’s – The Garden of Opportunities** initiatives emerged victorious to win the RM200,000 grant (RM100,000 each) provided by 10 MCII and external funders.

Nutrition plays an important role in students’ health, ability to learn and productivity. MakanLah and its collaborators focused on a three-pillar solution, which develops a healthy menu, supplies core ingredients at a lower cost, and provides training and business development to school canteens.

The solution will help canteens provide healthy, delicious and affordable food to students.

Community of Coders through the Hap Seng Group D-Code

Hap Seng Group D-Code is an inter-school camp and competition coding literacy programme, a collaboration between Hap Seng Group and Startup Malaysia. The first phase was done in partnership with the Sabah State Education Department targeting students aged between 13 and 15 years. The two-year project, involving all 212 secondary schools throughout Sabah, was rolled out in July 2015 and successfully reached out to 1,061 students and 212 teachers from 210 secondary schools throughout Sabah.

The programme content focuses on:

- Logical thinking and problem-solving skills
- Teamwork and team spirit
- Confidence
- Leadership
- Collaboration, soft skills development and Higher Order Thinking Skills (HOTS)
- Internet safety

Hap Seng Group D-Code in 2017	Sabah	Klang
Number of schools	65	14
Number of students	211	180
Number of camps	7	6

1. *Hap Seng Group D-Code: Second Phase*

   In 2017, for the second phase, we added a pre-selection filtration process, where interested schools had to submit a short video and write an essay on why they deserve to participate in the programme. Of the 211 coders who participated, 86 participants were from the first phase, while 125 were new faces. Many of the new coders learned coding from their peers, showing the existence of an effective peer-to-peer learning that continues at the schools, beyond the coding camps.

   The champions for phase two were SMK Bugaya, Semporna and SMK Kundasang, Ranau. Both are rural schools proving once again that given equal opportunity the most creative and innovative students would shine.

What I learned at D-Code

This is my second year in the programme. Last year, I was on the winning team.

While the programme emphasises coding, it also taught me a lot about leadership and communication – especially during the pitching segment.

There were many opportunities for peer-to-peer learning. Earlier this year, my school established a coding club and through that club I've trained 10 other students with knowledge about coding. Having completed this programme, I plan to learn more programming languages and create more demo websites to showcase my skills. I also plan to go into Software Engineering when I leave school.

Nur Aqeela Arujin
SMK Kundasang

2. *Hap Seng Group D-Code: Klang Edition*

   Hap Seng Group D-Code was extended to schools in Klang but this time, the programme had a more customised content delivery to include primary schools' students. In total, 60 secondary school students and 120 primary school students attended the programme. The winner was SJKC Hin Hua, Kapar with its project, 'E-Koperasi SJKC Hin Hua'.

   Teachers became mentors through Hap Seng Group Internet of Things (IoT).

   Hap Seng Group's Internet of Things (IoT) programme is an initiative in collaboration with Chumbaka, targeted at teachers with special emphasis on mentoring and project-based learning. Through technical and soft-skill bootcamps, the programme was carried out to arm teachers with mentoring skills to deliver 21st century learning in their classrooms.

   The programme reached 24 secondary schools in the interiors of Sabah. It is worth noting that 64% of the 2017 state level Young Innovate Challenge (YIC) awards were won by students mentored by the 48 teachers who took part in the Hap Seng IoT camps. One team from SMK Tambunan even made it to the national YIC.

OSH in School

Schools should be able to identify potential health and safety issues in their surroundings and managing such issues if, and when, they occur. For this purpose, Hap Seng worked together with NIOSH to introduce the Occupational Safety and Health or OSH in School programme to expose and educate the school citizens especially the students to a safety culture and careers. A group of 620 students, 30 teachers and 10 volunteers from Hap Seng Group in Tawau participated in the event. Among the activities were a safety exhibition, OSH Race Challenge, Spot the Hazards, and Interactive Talks by the Road Safety Department and NIOSH.

Empowering the Tanjung Batu Community

The idea of a learning culture is sown into the Tanjung Batu community at Pusat E-Desa centre and the Kg Tg Batu Keramat centre, where English proficiency classes are held for participants ranging from seven to 50 years old. The community learning programme was developed and delivered by SOLS 24/7, an award-winning humanitarian organisation, in collaboration with UPPM Tanjung Batu and Pusat E-Desa Tanjung Batu, Sabah. This programme aims to ultimately build an ecosystem where youth development is supported by the community as a whole.

A group photo of the students and volunteer teachers at the Tanjung Batu Community learning centre

Leadership Summer Camp in Tawau

120 children of Tawau embarked on a self-development and leadership journey through Hap Seng Group Tawau Summer Camp, which was held in December 2017 at Bandar Sri Indah (BSI) Sports Complex. Conducted by Leaderonomics, this camp is designed to nurture positive leadership characteristics among children with an emphasis on personality discovery, strengths discovery and character development. Participants between 7 and 15 were exposed to four critical aspects of leadership: Enthusiasm, Patience, Creativity, and Responsibility.

Tawau Vision School

In 2017, Hap Seng Group funded the construction of the Vision School dormitory complex, which can accommodate 150 students in Bandar Sri Indah, Tawau, Sabah. The dormitories are meant to house students from outside Tawau by providing them access to quality education.

The dormitory is equipped with up-to-date facilities such as an Internet connection, games, recreational and study halls, and visitor rooms, besides the usual common facilities.

The vision school is a church-owned private school that provides affordable and quality education to students from Primary 1 to Form 5, catering to the community in Sabah.

AWARDS

Group

- Gold (Highest Returns To Shareholders Over Three Years) for Big Cap Companies with RM10 Billion to RM40 Billion Market Capitalisation at The Edge Billion Ringgit Club Corporate Awards 2017.
- Silver (Highest Growth In Profit After Tax Over Three Years) for Big Cap Companies with RM10 Billion to RM40 Billion Market Capitalisation at The Edge Billion Ringgit Club Corporate Awards 2017.

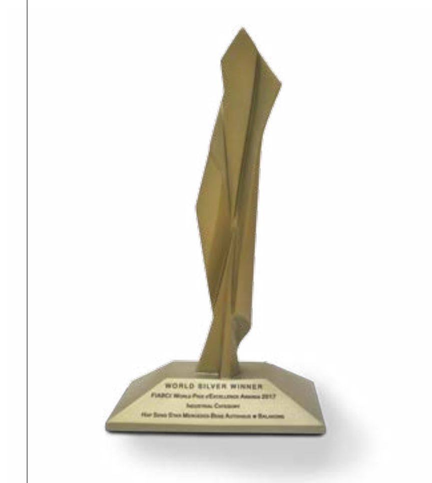
Property Investment and Development

- FIABCI World Prix d'Excellence Award 2017 under the Industrial Category for Hap Seng Star Mercedes-Benz @Balakong at the FIABCI World Congress 2017 held in Andorra.
- FIABCI Malaysia Property Award 2017 under Office Category for Plaza Shell, Kota Kinabalu.
- FIABCI Malaysia Property Award 2017 under Residential High Rise Category for Horizon Residences, Kuala Lumpur.

Automotive

- Mercedes-Benz Dealer of the Year 2017 – HSS Balakong
- Customer Satisfaction Index – Delightful Customer Care: Champion – HSS Balakong
- Customer Satisfaction Index – Delightful Customer Care: 1st Runner Up – HSS Bukit Tinggi
- Customer Satisfaction Index – Delightful Customer Care: 2nd Runner Up – HSS Kuching
- Customer Loyalty Index – Best Ownership Experience: Champion – HSS Kota Kinabalu
- Customer Loyalty Index – Best Ownership Experience: 1st Runner Up – HSS Kuching
- Best in Financial Services 2017 – HSS Jalan Ipoh
- Best in Business Excellence 2017 – HSS Kinrara

The Edge Billion Ringgit Club Corporate Awards 2017



FIABCI World Prix d'Excellence Award 2017

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 8, 9 and 10 to the financial statements, respectively.

Other information relating to the subsidiaries, associates and joint ventures are disclosed in Notes 8, 9 and 10 to the financial statements, respectively.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2017 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,395,388	956,537
Tax expense	(212,941)	(5,054)
Profit for the year	1,182,447	951,483
Attributable to:		
Owners of the Company	1,103,902	951,483
Non-controlling interests	78,545	-
Profit for the year	1,182,447	951,483

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

The new Companies Act 2016 ("Act"), which was effective from 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, amounts standing to the credit of the share premium and capital redemption reserve accounts of RM903,605,000 and RM126,267,000 respectively became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

TREASURY SHARES

During the annual general meeting of the Company held on 31 May 2017, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares.

During the financial year, the Company repurchase 4,000 shares at the total cost of RM37,547 which were held as treasury shares. All repurchases of shares were financed by the Company's internally generated funds.

As at 31 December 2017, the Company held 6,000 treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2017	2,000	15,982	7.99
Repurchased during the year	4,000	37,547	9.39
As of 31 December 2017	6,000	53,529	8.92

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 2017:	
- First interim dividend of 15 sen per share under the single tier system approved by the Board of Directors on 31 May 2017 and paid on 28 June 2017	373,452
- Second interim dividend of 20 sen per share under the single tier system approved by the Board of Directors on 23 November 2017 and paid on 20 December 2017	497,935
	871,387

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2017.

No dividend is payable for treasury shares held or cancelled.

DIRECTORS

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

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	
Leow Ming Fong @ Leow Min Fong	
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	(Appointed on 23 November 2017)
Ch'ng Kok Phan	(Resigned on 31 March 2018)

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

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

Au Siew Loon
Au Yong Siew Fah
Bacho Bin Masdukir
Calvin Yeo Chong Lok
Chan Kien Ming
Chan Yee Hing
Cheng Yue Kay, Michael
Chong Kwea Seng
Choo Chee Beng
Chow Wen Kwan, Marcus
Choy Khai Choon
Dato' John Chee Shi Tong
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir
Datuk Chia Lui Meng
Dionysius Angkasa
Harald Uwe Behrend
Heng Chin Tung
Idzham Mohd Hashim B Zahrain Mohd Hashim
Khoo Thian Shyang
Khor Soo Beng
Lee Tsan Kau
Lew Kee Ek @ Liew Kew Ik
Low Kok Ann
Low See Ching
Ng Boon Kong
Ng Hock Hooi
Nicholas Rodney Quince
Ong Beng Chye
Paul Gregory Betar
Puan Chen Keck
Puan Sri Maimon Md. Arif
Sheikh Mohd Faliq Bin Sheikh Mohamad Nasimuddin Kamal
Stanley Chee Tze Yuan

DIRECTORS (CONTINUED)

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

Tai Ah Chai	
Tan Duo Zer	
Tan Kok Aun	
Tan Sri Abdul Hamid Egoh	
Tan Sri Ahmad Bin Mohd Don	
Tan Sri Datuk Seri Panglima Richard Allan Lind	
Terrance Tan Kong Hwa	
Thai Chong Yim	
Tong Chin Hen	
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	
Tuan Haji Pondren Bin Nawa	
Voon Thau Vui	
Wanchana Kosanvit	
Yap Chai Soon	
Eugene Lee Chin Jin	(Appointed on 3 April 2017)
Yong Teck Jan	(Appointed on 15 December 2017)
Andrew Talling	(Appointed on 5 February 2018)
Cheong Shan Shi	(Appointed on 22 March 2018)
Tang Chee Kean	(Resigned on 3 April 2017)
Wong Leh Seng	(Resigned on 31 October 2017)
Yeow Wai Siaw	(Resigned on 17 November 2017)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
Name of director	**As at 1.1.2017**	**Acquired**	**Sold**	**As at 31.12.2017**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	25,000	-	(20,000)	5,000
Dato' Mohammed Bin Haji Che Hussein	36,000	-	(16,000)	20,000
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Cheah Yee Leng	31,200	-	-	31,200
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	-	-	5,000

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE COSTS

The directors and officers of the Company are covered by Directors and Officers Liability Insurance which is maintained on a group basis by the Company in respect of liabilities arising from acts committed in their respective capacity as, inter alia, directors and officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the directors and officers of the Group during the year was RM40 million whilst the total amount of premium paid was RM72,000.

HOLDING COMPANY

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

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position, statements of profit or loss and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

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

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

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

(f) In the opinion of the directors:

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

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

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration is disclosed in Note 29 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

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

STATEMENT BY DIRECTORS

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

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 132 to 280 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

DATO' JORGEN BORNHOFT

DATUK EDWARD LEE MING FOO, JP

STATUTORY DECLARATION

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

I, **LEE WEE YONG**, being the director primarily responsible for the financial management of **HAP SENG CONSOLIDATED BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 132 to 280 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovementioned **LEE WEE YONG**, MIA CA 7492
at Kuala Lumpur in the Federal Territory
on 13 April 2018.

LEE WEE YONG

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

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 132 to 280.

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 2017, 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 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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 the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. 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)

(a) Property development revenue and profit recognition

Revenue from property development during the year amounted to RM342 million, representing 6% of the Group's total revenue for the financial year ended 31 December 2017.

Revenue and profit from property development activities are recognised based on 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.

In considering 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 the construction.

Property development revenue and profit recognition is significant to our audit because it involves significant estimations in determining the stage of completion of property development activities and in assessing the estimated costs to completion.

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

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

In addition, in respect of the subsidiaries not audited by us, we reviewed the procedures performed by the component auditor in addressing this area of focus.

The notes relating to property development costs are disclosed in Notes 2.18, 16 and 26 to the financial statements.

Key audit matters (continued)

(b) Valuation of investment properties

As at 31 December 2017, the carrying amount of investment properties of the Group is RM1.5 billion, which represents 22% of the total non-current assets of the Group. The Group carries its investment properties at fair value as disclosed in Note 7 to the financial statements. 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 gain from changes in fair value of RM4 million for the financial year ended 31 December 2017 as disclosed in Note 7 to the financial statements.

Our audit procedures included the following:

- We assessed the valuers' independence, competence, capabilities and objectivity;

- We obtained an understanding of the valuation methodologies used by the valuers in determining the fair values of the investment properties and assessed whether the valuation methodologies were consistent with those used in the prior year and commonly used for the type of investment property being valued; and

- We evaluated the significant assumptions in respect of the rental rate, discount rate and reversionary rate used by comparing to the underlying lease agreements and industry data.

In addition, we also evaluated the adequacy of the disclosures of each key judgement and estimate to which the fair value is most sensitive, as disclosed in Note 7 to the financial statements.

The notes relating to investment properties are disclosed in Notes 2.9, 7 and 39(b) to the financial statements.

Key audit matters (continued)

(c) Recognition of contingent asset

In the previous financial year, the Company completed the acquisition of the entire issued and paid up share capital of Malaysian Mosaics Sdn. Bhd. ("MMSB") for a cash consideration of RM380 million.

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 for 5 financial years commencing from financial year ended 31 December 2016, as disclosed in Note 8 to the financial statements.

MMSB did not achieve the guaranteed profit after tax for the current financial year. Accordingly, management has reassessed the projected profit for each of the remaining 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.

The key judgement and estimates involved in the assessment of contingent asset are:

(i) Sales growth;
(ii) Gross profit margin; and
(iii) Probability for meeting the profit guarantee for each of the profit guarantee years.

Arising from management's reassessment, the Group and the Company have recognised a contingent consideration of RM55.6 million in the current year.

Our audit procedures include the following:

- We gained an understanding of the transaction and its rationale through discussions with management and reading of the Agreement;
- We challenged management's key assumptions for the relevant years such as sale growth, production capacity, discount rate and expected selling prices and comparing them to the historical performance of MMSB and external market analysis; and
- We recomputed the contingent consideration recognised arising from the shortfall of projected profit for the remaining profit guarantee years.

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

The notes relating to contingent asset are disclosed in Notes 3.2(g), 8(c), 13 and 28(a) to the financial statements.

Key audit matters (continued)

(d) Impairment assessment on hire purchase receivables and loan receivables

The carrying amount of hire purchase receivables and loan receivables arising from the credit financing segment of the Group as at reporting date were RM1,025 million and RM1,372 million respectively. The Group has put in place controls over the estimation of impairment of these trade 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.

Impairment assessment on hire purchase receivables and loan receivables is significant to our audit due to the significance of the carrying amount of hire purchase receivables and loan receivables and the uncertainty inherent in the estimation process.

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

- Evaluation of the controls over the approval, recording and monitoring of hire purchase receivables and loan receivables;
- Evaluation of the methodologies, inputs and assumptions used by 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, evaluation of the management's assumptions on the recoverable amount which include the value of realisable collateral; and
- Assessment of whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.

The notes relating to hire purchase receivables and loan receivables are disclosed in Notes 2.16(a), 3.2(e) and 13 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Teoh Soo Hock
No. 02477/10/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current assets					
Property, plant and equipment	4	**1,777,067**	1,798,774	**1,013**	1,505
Prepaid lease payments	5	**189,638**	201,367	**-**	-
Biological assets	6	**458,886**	458,585	**-**	-
Investment properties	7	**1,538,870**	1,675,054	**-**	-
Investment in subsidiaries	8	**-**	-	**4,434,593**	3,586,450
Investment in associates	9	**452,231**	500,934	**73,930**	79,357
Investment in joint ventures	10	**9,433**	844	**-**	-
Land held for property development	11	**786,991**	720,173	**-**	-
Intangible assets	12	**36,736**	85,149	**-**	-
Trade and other receivables	13	**1,566,357**	1,041,254	**39,207**	-
Other non-current financial assets	14	**29,563**	115,844	**-**	-
Deferred tax assets	23	**15,247**	21,809	**-**	-
		6,861,019	6,619,787	**4,548,743**	3,667,312
Current assets					
Inventories	15	**1,348,599**	1,163,461	**-**	-
Property development costs	16	**814,695**	682,386	**-**	-
Trade and other receivables	13	**2,405,495**	2,030,093	**148,042**	401,001
Tax recoverable		**22,966**	19,471	**1,555**	2,504
Other current financial assets	14	**30,907**	171,243	**-**	-
Money market deposits	17	**90,990**	354,736	**-**	-
Cash and bank balances	18	**648,257**	684,284	**184,938**	203,926
		5,361,909	5,105,674	**334,535**	607,431
Total assets		**12,222,928**	11,725,461	**4,883,278**	4,274,743

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Equity attributable to owners of the Company					
Share capital	24	**3,519,554**	2,489,682	**3,519,554**	2,489,682
Reserves	25	**2,244,816**	3,001,010	**832,012**	1,781,788
		5,764,370	5,490,692	**4,351,566**	4,271,470
Less: Treasury shares	24	**(54)**	(16)	**(54)**	(16)
		5,764,316	5,490,676	**4,351,512**	4,271,454
Non-controlling interests	8(a)	**652,138**	631,779	**-**	-
Total equity		**6,416,454**	6,122,455	**4,351,512**	4,271,454
Non-current liabilities					
Trade and other payables	19	**1,527**	833	**-**	-
Provisions	20	**-**	12,000	**-**	-
Employee benefits	21	**6,155**	5,600	**-**	-
Borrowings	22	**1,595,237**	1,920,316	**-**	-
Other non-current financial liabilities	14	**7,170**	-	**-**	-
Deferred tax liabilities	23	**222,906**	230,590	**15**	21
		1,832,995	2,169,339	**15**	21
Current liabilities					
Trade and other payables	19	**987,071**	869,854	**531,751**	3,268
Provisions	20	**6,958**	10,306	**-**	-
Tax payable		**58,093**	47,375	**-**	-
Borrowings	22	**2,883,638**	2,504,931	**-**	-
Other current financial liabilities	14	**37,719**	1,201	**-**	-
		3,973,479	3,433,667	**531,751**	3,268
Total liabilities		**5,806,474**	5,603,006	**531,766**	3,289
Total equity and liabilities		**12,222,928**	11,725,461	**4,883,278**	4,274,743

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	26	**5,288,733**	4,891,714	**425,626**	879,034
Cost of sales	26	**(3,855,449)**	(3,651,612)	**-**	-
Gross profit		**1,433,284**	1,240,102	**425,626**	879,034
Other operating income		**201,058**	191,012	**22,601**	21,894
Distribution costs		**(245,920)**	(221,345)	**-**	-
Administrative expenses		**(309,506)**	(278,028)	**(22,144)**	(29,124)
Other operating expenses		**(103,757)**	(120,605)	**(17,107)**	(458)
		975,159	811,136	**408,976**	871,346
Finance costs	27	**(146,339)**	(130,920)	**(855)**	(3,833)
Other gain items	28	**588,000**	520,174	**591,121**	5,427
Other loss items	28	**(55,448)**	(40,606)	**(42,705)**	-
Share of results of associates	9	**34,613**	85,047	**-**	-
Share of results of joint ventures	10	**(597)**	104	**-**	-
Profit before tax	29	**1,395,388**	1,244,935	**956,537**	872,940
Tax expense	32	**(212,941)**	(179,492)	**(5,054)**	(2,012)
Profit for the year		**1,182,447**	1,065,443	**951,483**	870,928
Profit attributable to:					
Owners of the Company		**1,103,902**	1,000,960	**951,483**	870,928
Non-controlling interests	8(a)	**78,545**	64,483	**-**	-
		1,182,447	1,065,443	**951,483**	870,928
Earnings per share (sen)					
Basic	33	**44.34**	42.36		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year	**1,182,447**	1,065,443	**951,483**	870,928
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	**(21,425)**	(3,185)	**-**	-
Share of foreign currency translation differences of associates	**(161)**	3,833	**-**	-
Share of foreign currency translation differences of joint ventures	**(78)**	14	**-**	-
Change in fair value of cash flow hedge	**2,231**	(6,350)	**-**	-
	(19,433)	(5,688)	**-**	-
Items that will not be reclassified subsequently to profit or loss				
Revaluation of properties prior to being transferred out to investment properties	**57,013**	-	**-**	-
Remeasurement (loss)/gain on defined benefit liabilities	**(113)**	293	**-**	-
	56,900	293	**-**	-
Total other comprehensive income/(expense) for the year, net of tax	**37,467**	(5,395)	**-**	-
Total comprehensive income for the year, net of tax	**1,219,914**	1,060,048	**951,483**	870,928
Total comprehensive income attributable to:				
Owners of the Company	**1,145,447**	996,134	**951,483**	870,928
Non-controlling interests	**74,467**	63,914	**-**	-
	1,219,914	1,060,048	**951,483**	870,928

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	← 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 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)
Remeasurement gain on defined benefit liabilities	-	-	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			

	Attributable to Owners of the Company	Reserves						
	Share capital RM'000	Non-distributable RM'000	Distributable Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group (continued)								
At 1 January 2017	2,489,682	1,058,398	1,942,612	3,001,010	(16)	5,490,676	631,779	6,122,455
Transition to no-par value regime under the Companies Act 2016	1,029,872	(1,029,872)	-	(1,029,872)	-	-	-	-
Profit for the year	-	-	1,103,902	1,103,902	-	1,103,902	78,545	1,182,447
Foreign currency translation differences for foreign operations	-	(18,282)	-	(18,282)	-	(18,282)	(3,143)	(21,425)
Share of foreign currency translation differences of associates	-	736	-	736	-	736	(897)	(161)
Share of foreign currency translation differences of joint ventures	-	(40)	-	(40)	-	(40)	(38)	(78)
Change in fair value of cash flow hedge	-	2,231	-	2,231	-	2,231	-	2,231
Revaluation of properties prior to being transferred out to investment properties	-	57,013	-	57,013	-	57,013	-	57,013
Remeasurement loss on defined benefit liabilities	-	-	(113)	(113)	-	(113)	-	(113)
Total other comprehensive income for the year	-	41,658	(113)	41,545	-	41,545	(4,078)	37,467
Total comprehensive income for the year	-	41,658	1,103,789	1,145,447	-	1,145,447	74,467	1,219,914
Share-based payments by a subsidiary	-	98	-	98	-	98	95	193
Changes in ownership interest in subsidiaries	-	(468)	(12)	(480)	-	(480)	5,680	5,200
Purchase of treasury shares	-	-	-	-	(38)	(38)	-	(38)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(10)	(10)
Dividends (Note 34)	-	-	(871,387)	(871,387)	-	(871,387)	-	(871,387)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(59,873)	(59,873)
At 31 December 2017	3,519,554	69,814	2,175,002	2,244,816	(54)	5,764,316	652,138	6,416,454
	Note 24			Note 25	Note 24			

		Reserves (Non-distributable)				Reserves (Distributable)			
	Share capital RM'000	**Share premium RM'000**	**Capital redemption reserve RM'000**	**Warrant reserve RM'000**	**Other reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Treasury shares RM'000**	**Total equity RM'000**
Company									
At 1 January 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/ 1 January 2017	**2,489,682**	**903,605**	**126,267**	**-**	**(30,973)**	**782,889**	**1,781,788**	**(16)**	**4,271,454**
Transition to no-par value regime under the Companies Act 2016	**1,029,872**	**(903,605)**	**(126,267)**	**-**	**-**	**-**	**(1,029,782)**	**-**	**-**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**951,483**	**951,483**	**-**	**951,483**
Purchase of treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38)**	**(38)**
Dividends (Note 34)	**-**	**-**	**-**	**-**	**-**	**(871,387)**	**(871,387)**	**-**	**(871,387)**
At 31 December 2017	**3,519,554**	**-**	**-**	**-**	**(30,973)**	**862,985**	**832,012**	**(54)**	**4,351,512**
	Note 24						Note 25	Note 24	

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before tax	**1,395,388**	1,244,935	**956,537**	872,940
Adjustments for:				
Depreciation of property, plant and equipment	**134,745**	115,820	**513**	458
Amortisation of prepaid lease payments	**9,076**	7,125	**-**	-
Amortisation of intangible assets	**-**	7,830	**-**	-
Property, plant and equipment written off	**2,932**	1,681	**1**	-
Share-based payment expense	**193**	365	**-**	-
Biological assets written off	**242**	63	**-**	-
Bad debts written off	**175**	181	**-**	-
Gain on held for trading equity instruments at fair value	**(9,216)**	(1,741)	**-**	-
Net (gains)/loss from fair value adjustments of investment properties	**(3,860)**	23,213	**-**	-
Gain on money market deposits at fair value	**(1,403)**	(451)	**-**	-
Reversal of impairment loss on investment in an associate	**-**	(5,089)	**-**	(5,427)
Impairment loss on investment in an associate	**7,035**	-	**5,427**	-
Impairment loss on investment in a subsidiary	**-**	-	**37,278**	-
Impairment loss on property, plant and equipment	**34,870**	16,090	**-**	-
Impairment loss on goodwill	**48,413**	15,813	**-**	-
Impairment loss on customer relationship	**-**	24,793	**-**	-
Net inventories written down	**12,094**	8,561	**-**	-
Net impairment loss on trade and other receivables	**6,243**	10,249	**-**	-
Reversal of provisions	**(14,500)**	(2,471)	**-**	-
Gain on disposal of property, plant and equipment	**(95,963)**	(93,088)	**-**	(29)
Gain on disposal of subsidiaries	**(496,838)**	-	**(499,959)**	-
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	**146,339**	130,920	**855**	3,833
Interest income	**(13,359)**	(11,432)	**(22,547)**	(9,777)
Dividend income	**(15,748)**	(11,512)	**(425,626)**	(883,270)
Profit guarantee shortfall receivable from holding company	**(35,578)**	-	**(35,578)**	-
Contingent consideration	**(55,584)**	-	**(55,584)**	-
Share of results of associates	**(34,613)**	(85,047)	**-**	-
Share of results of joint ventures	**597**	(104)	**-**	-
Unrealised foreign exchange loss/(gain)	**4,804**	(11,496)	**2,375**	(8,660)
Operating profit/(loss) before changes in working capital	**1,026,484**	870,123	**(36,308)**	(29,932)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating profit/(loss) before changes in working capital	**1,026,484**	870,123	**(36,308)**	(29,932)
Changes in working capital:				
Inventories	**(151,777)**	(25,672)	**-**	-
Property development costs	**(108,657)**	(28,273)	**-**	-
Loan receivables	**(655,459)**	277,275	**-**	-
Receivables	**(628,180)**	57,417	**306,640**	(68,381)
Payables	**140,274**	79,074	**527,628**	452
Provisions	**(813)**	3,008	**-**	-
Cash flows (used in)/generated from operations	**(378,128)**	1,232,952	**797,960**	(97,861)
Income tax paid	**(210,755)**	(180,352)	**(4,111)**	(5,285)
Income tax refunded	**4,189**	2,829	**-**	-
Interest paid	**(172,219)**	(165,795)	**-**	(3,833)
Interest received	**13,359**	11,432	**23,056**	9,777
Additions to land held for property development	**(112,457)**	(275,172)	**-**	-
Net cash flows (used in)/generated from operating activities	**(856,011)**	625,894	**816,905**	(97,202)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**202,091**	123,563	**-**	88
Proceeds from the redemption of available-for-sale equity instruments	**-**	12,000	**-**	-
Proceeds from disposal of held for trading equity instruments	**104,479**	-	**-**	-
Disposal of subsidiaries (Note 8(b))	**744,646**	380,925	**1,015,081**	-
Proceeds from disposal of remaining 49% equity interest in a former subsidiary	**367,500**	-	**-**	-
Proceeds from issuance of shares to non-controlling interests	**12,200**	5,300	**-**	-
Dividends received from subsidiaries	**-**	-	**363,144**	875,735
Dividends received from associates	**76,120**	13,910	**62,482**	3,299
Dividends received from a joint venture	**106**	239	**-**	-
Dividends received from available-for-sale equity instruments	**-**	1,960	**-**	-
Dividends received from held for trading equity instruments	**-**	2,316	**-**	-
Dividends received from money market deposits	**14,925**	8,396	**-**	4,236

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from investing activities (continued)				
Purchase of property, plant and equipment	**(152,849)**	(250,044)	**(22)**	(1,267)
Purchase of held for trading equity instruments	**-**	(92,871)	**-**	-
Acquisition of subsidiaries (Note 8(c))	**-**	(369,343)	**-**	-
Acquisition of a joint venture	**(9,370)**	-	**-**	-
Additions to biological assets	**(543)**	(16,544)	**-**	-
Additions to prepaid lease payments	**(1,412)**	-	**-**	-
Additions to investment properties	**(82,794)**	(84,200)	**-**	-
Redemption of preference shares held by non-controlling interests	**(7,000)**	-	**-**	-
Decrease/(increase) in money market deposits	**265,149**	(255,649)	**-**	-
Increase in investment in subsidiaries	**-**	-	**(1,400,543)**	(975,931)
Net cash flows generated from/(used in) investing activities	**1,533,248**	(520,042)	**40,142**	(93,840)
Cash flows from financing activities				
Dividends paid	**(871,387)**	(857,719)	**(871,387)**	(857,719)
Dividends paid to non-controlling interests	**(59,873)**	(36,350)	**-**	-
Shares repurchased at cost	**(48)**	(804)	**(38)**	(794)
Proceeds from issuance of shares pursuant to the exercise of warrants	**-**	395,918	**-**	395,918
Proceeds from resale of treasury shares	**-**	714,303	**-**	714,303
Net drawdown/(repayment) of borrowings (Note 22)	**229,611**	(56,241)	**-**	-
Net cash flows (used in)/generated from financing activities	**(701,697)**	159,107	**(871,425)**	251,708
Net (decrease)/increase in cash and cash equivalents	**(24,460)**	264,959	**(14,378)**	60,666
Effects on exchange rate changes on cash and cash equivalents	**(11,322)**	8,935	**(4,610)**	8,660
Cash and cash equivalents as at 1 January	**684,039**	410,145	**203,926**	134,600
Cash and cash equivalents as at 31 December (Note 18)	**648,257**	684,039	**184,938**	203,926

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company is an investment holding company.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 April 2018.

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 2016 in Malaysia.

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

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

2.2 Effects of adopting new and amended 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 2017.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The adoption of the above FRSs, Interpretations and amendments have no significant impact to the financial statements of the Group and of the Company except as disclosed below:

Amendments to FRS 107: Statement of Cash Flows - Disclosure Initiative

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosures in Note 22, the application of these amendments has had no impact on the Group and on the Company.

2.3 Standards issued but not yet effective

The following are accounting standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

Standards/Amendments/Interpretations	Effective date
FRS 9, Financial Instruments (2014)	1 January 2018
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to FRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4, Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 128, Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to FRS 140, Investment Property – Transfers of Investment Property	1 January 2018
IC Interpretation 23, Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 10, Consolidated Financial Statements and FRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be confirmed

The Group's and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"]

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

The Group and the Company falls under the scope definition of Transitioning Entities and will adopt MFRS for annual period beginning on 1 January 2018. In presenting 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.

The Group and the Company will apply the following MFRS, where applicable, that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective, on the respective effective dates.

Standards/Amendments/Interpretations	Effective date
Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)	1 January 2018
MFRS 9, Financial Instruments (2014)	1 January 2018
MFRS 15, Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15, Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to MFRS 2, Share-based Payment – Classification and measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128, Investment in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to MFRS 140, Investment Property – Transfers of Investment Property	1 January 2018
MFRS 16, Leases	1 January 2019
IC Interpretation 23, Uncertainty over Income Tax Treatments	1 January 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"] (continued)

The Group and the Company will apply the following MFRS, where applicable, that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective, on the respective effective dates. (continued)

Standards/Amendments/Interpretations	Effective date
Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 17, Insurance Contracts	1 January 2021
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Asset between an Investor and its Associates or Joint Venture	Yet to be confirmed

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"] (continued)

Material impacts of the initial application of the abovementioned accounting standards, amendments or interpretations, which are or are likely to be applicable to the Group and the Company and which are to be applied retrospectively, are discussed below:

(i) MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards

Optional exemption to use fair value or revaluation as deemed cost

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRSs. The 'fair value or revaluation as deemed cost' optional exemption permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost. Any surplus arising from revaluation at the date of transition is transferred to retained profits.

A first-time adopter does not have to apply the deemed cost exemption to all classes of property, plant and equipment or to all items within a class of property, plant and equipment; instead, the exemption may be applied to individual items. In addition, the election of the deemed cost exemption is independent of the first-time adopter's accounting policy choice for the subsequent measurement of property, plant and equipment.

(ii) Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants

The amendments to MFRS 116 and MFRS 141 (effective from 1 January 2018) which will be effective in conjunction with the adoption of MFRS framework, require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment in accordance with MFRS 116.

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141, all new planting expenditure incurred from land clearing, planting, field upkeep and maintenance to the point of maturity was capitalised under plantation development expenditure and was not amortised. Replanting expenditure which represents cost incurred in replanting old planted areas, was charged to profit or loss as and when incurred. Biological assets and bearer plants were not recognised separately.

With the adoption of the Amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation, whereas biological assets within the scope of MFRS 141 are measured at fair value less costs to sell.

The adoption of the Amendments to MFRS 116 and MFRS 141 will result in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments to MFRS 116 and MFRS 141 will be reversed and capitalised under property, plant and equipment. Changes in fair value less costs to sell of the biological assets will be recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"] (continued)

The potential impacts to the financial statements of the Group on initial application of MFRS 1 and Amendments to MFRS 116 and MFRS 141 are as follows:

	Statements of financial position as at 31 December 2017		Statements of financial position as at 1 January 2017	
	As currently stated under FRS RM'000	Expected restatement under MFRS RM'000	As currently stated under FRS RM'000	Expected restatement under MFRS RM'000
Group				
Non-current assets				
Property, plant and equipment	1,777,067	3,153,567	1,798,774	3,190,967
Biological assets	458,886	-	458,585	-
Land held for property development	786,991	779,460	720,173	712,642
Current assets				
Biological assets	-	19,550	-	37,667
Non-current liabilities				
Deferred tax liabilities	222,906	472,359	230,590	486,871
Equity				
Retained profits	2,175,002	2,544,067	1,942,612	2,326,149
Non-controlling interests	652,138	963,253	631,779	955,705

(iii) MFRS 9, Financial Instruments

MFRS 9 (effective from 1 January 2018) which will be effective in conjunction with the adoption of MFRS framework, replaces MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"] (continued)

(iii) MFRS 9, Financial Instruments (continued)

MFRS 9 retains most of the MFRS 139 requirements for liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The initial adoption of MFRS 9 will have some financial impact to the financial statements of the Group particularly on the need to fair value unquoted investments and the need to account for impairment of financial assets under the expected credit loss model. Based on management initial assessment, the expected financial impact will not be material to the Group.

(iv) MFRS 15, Revenue from Contracts with Customers

MFRS 15 (effective from 1 January 2018) which will be effective in conjunction with the adoption of MFRS framework, replaces MFRS 111, Construction Contracts, MFRS 118, Revenue and related interpretations.

Prior to the adoption of MFRS 15, revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer. Upon adoption of MFRS 15, revenue is recognised when a performance obligation is satisfied, such as "control" of goods or services underlying the particular performance obligation is transferred to the customer.

The initial adoption of MFRS 15 will have some financial impact to the financial statements of the Group particularly on the timing of recognition of revenue and cost for the property development business. Based on management initial assessment, the expected financial impact will not be material to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"] (continued)

(v) MFRS 16, Leases

MFRS 16 (effective from 1 January 2019), replaces MFRS 117, Leases and related interpretations.

Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet) and requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

MFRS 16 retains most of the requirements in MFRS 117 for lessor. Lessor continues to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply the MFRS 16 on annual period beginning on 1 January 2019 and is currently assessing the financial impact that may arise from the adoption.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations (continued)

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

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

(a) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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 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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

Disposal of property, plant and equipment

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

2.8 Biological assets

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

New 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

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.

2.10 Investment in subsidiaries

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures (continued)

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

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

2.12 Land held for property development

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

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

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

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

2.13 Intangible assets

(a) Goodwill

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets (continued)

(a) Goodwill (continued)

The cash-generating unit to which goodwill has been allocated is tested for impairment at each reporting date and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets (continued)

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 and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

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

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

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

(b) Loans and receivables

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

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

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

(c) Available-for-sale financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets

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

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

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

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

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

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

(b) Unquoted equity securities carried at cost

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

(b) Group as a lessee (continued)

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

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

2.27 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(b) Deferred tax (continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(c) Goods and services tax ("GST")

The Group recognised revenue, expenses and assets net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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 remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 Financial guarantee contracts

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

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

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

2.36 Current versus non-current classification

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

An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37 Fair value measurement

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

(i)	Disclosures for valuation methods, significant estimates and assumptions	- Note 3.2(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)

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (continued)

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

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

(b) Material litigations

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(e) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 13. As at 31 December 2017, the allowance for impairment of the Group is RM35,950,000 (2016: RM36,625,000).

(f) Taxes

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

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2017, the Group has deferred tax assets of RM15,247,000 (2016: RM21,809,000).

(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 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/ 1 January 2017	**159,040**	**202,990**	**951,696**	**292,030**	**1,265,959**	**33,779**	**2,905,494**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**(16,399)**	**-**	**(16,399)**
Additions	**3,055**	**1,025**	**6,284**	**8,462**	**85,783**	**48,917**	**153,526**
Reclassifications	**-**	**-**	**(2,262)**	**9,275**	**57,762**	**(64,775)**	**-**
Revaluation of properties prior to being transferred out to investment properties	**50,237**	**5,769**	**1,007**	**-**	**-**	**-**	**57,013**
Transfer to investment properties (Note 7)	**(84,031)**	**(8,195)**	**(4,205)**	**-**	**-**	**-**	**(96,431)**
Transfer from investment properties (Note 7)	**4,289**	**38,149**	**121,555**	**-**	**-**	**-**	**163,993**
Disposals	**(12,622)**	**(19,862)**	**(71,018)**	**-**	**(44,977)**	**-**	**(148,479)**
Written off	**-**	**-**	**(12,369)**	**-**	**(5,535)**	**-**	**(17,904)**
Exchange differences	**-**	**-**	**(6,562)**	**-**	**(1,019)**	**-**	**(7,581)**
At 31 December 2017	**119,968**	**219,876**	**984,126**	**309,767**	**1,341,574**	**17,921**	**2,993,232**

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 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/ 1 January 2017	**-**	**34,244**	**193,046**	**109,663**	**769,767**	**-**	**1,106,720**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**(1,334)**	**-**	**(1,334)**
Depreciation charge for the year (Note 29)	**-**	**1,632**	**31,034**	**16,039**	**86,040**	**-**	**134,745**
Reclassification	**-**	**-**	**(9,940)**	**-**	**9,940**	**-**	**-**
Impairment loss for the year	**-**	**-**	**20,613**	**-**	**14,257**	**-**	**34,870**
Disposals	**-**	**(1,477)**	**(4,715)**	**-**	**(36,159)**	**-**	**(42,351)**
Written off	**-**	**-**	**(9,927)**	**-**	**(5,045)**	**-**	**(14,972)**
Exchange differences	**-**	**-**	**(742)**	**-**	**(771)**	**-**	**(1,513)**
At 31 December 2017	**-**	**34,399**	**219,369**	**125,702**	**836,695**	**-**	**1,216,165**
Net carrying amount							
At 31 December 2016	159,040	168,746	758,650	182,367	496,192	33,779	1,798,774
At 31 December 2017	**119,968**	**185,477**	**764,757**	**184,065**	**504,879**	**17,921**	**1,777,067**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(a) During the financial year, the Group acquired motor vehicles with an aggregate cost of RM677,000 (2016: RM3,155,000) by means of finance lease. The carrying amount of plant and equipment held under finance lease at the reporting date was RM4,654,000 (2016: RM5,025,000) as disclosed in Note 36(b).

Included in additions of the Group in the previous financial year was interest expense capitalised of RM1,600,000.

Total cash outflow on acquisition of property, plant and equipment of the Group amounted to RM152,849,000 (2016: RM250,044,000).

(b) Buildings amounting to RM219,722,000 (2016: RM231,349,000) 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 RM4,234,000 (2016: RM3,688,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. In year 2017, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2022 to comply with the Native Condition.

(d) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM2,958,000 (2016: RM2,998,000) 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 reviews of the recoverable amounts of their property, plant and equipment due to indication of impairment. The recoverable amounts of these property, plant and equipment were arrived at based on the higher of fair value less cost of sale ["FVLCS"] and value-in-use ["VIU"] method and were determined at the level of the CGUs and the pre-tax discount rates used were 12% (2016: 11% to 12%).

Based on the impairment assessment, the Group recorded total impairment loss of RM34,870,000 (2016: RM16,090,000) on the basis that the carrying amounts exceeded recoverable amounts based on the VIU method.

(f) In the previous 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 previous 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 2016	187	4,118	4,305
Additions	-	1,267	1,267
Disposals	-	(355)	(355)
At 31 December 2016/1 January 2017	**187**	**5,030**	**5,217**
Additions	**-**	**22**	**22**
Written off	**-**	**(3)**	**(3)**
At 31 December 2017	**187**	**5,049**	**5,236**
Accumulated depreciation			
At 1 January 2016	169	3,381	3,550
Depreciation charge for the year (Note 29)	3	455	458
Disposals	-	(296)	(296)
At 31 December 2016/1 January 2017	**172**	**3,540**	**3,712**
Depreciation charge for the year (Note 29)	**4**	**509**	**513**
Written off	**-**	**(2)**	**(2)**
At 31 December 2017	**176**	**4,047**	**4,223**
Net carrying amount			
At 31 December 2016	15	1,490	1,505
At 31 December 2017	**11**	**1,002**	**1,013**

5. PREPAID LEASE PAYMENTS

	Leasehold land	
	2017 RM'000	2016 RM'000
Group		
At cost		
At 1 January	**226,885**	222,570
Additions	**1,412**	-
Exchange differences	**(4,685)**	4,315
At 31 December	**223,612**	226,885
Accumulated amortisation		
At 1 January	**25,518**	16,966
Amortisation for the year (Note 29)	**9,076**	7,125
Exchange differences	**(620)**	1,427
At 31 December	**33,974**	25,518
Net carrying amount	**189,638**	201,367

Leasehold land amounting to RM84,897,000 (2016: RM90,594,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

6. BIOLOGICAL ASSETS

	Group	
	2017 RM'000	2016 RM'000
At cost		
At 1 January	**458,585**	442,104
Additions	**543**	16,544
Written off (Note 29)	**(242)**	(63)
At 31 December	**458,886**	458,585

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 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 January 2017	**1,633,425**	**41,629**	**1,675,054**
Additions from acquisition	**54,245**	**-**	**54,245**
Additions from subsequent expenditure	**3,563**	**24,986**	**28,549**
Transfer (to)/from property, plant and equipment (Note 4)	**(104,969)**	**37,407**	**(67,562)**
Net gains from fair value adjustments recognised in profit or loss (Note 29)	**3,860**	**-**	**3,860**
Disposal of a subsidiary	**(155,000)**	**-**	**(155,000)**
Exchange differences	**(276)**	**-**	**(276)**
At 31 December 2017	**1,434,848**	**104,022**	**1,538,870**

	2017 RM'000	2016 RM'000
Represented by:		
Freehold land and buildings	**1,015,989**	863,349
Long term leasehold land and buildings	**522,881**	811,705
	1,538,870	1,675,054

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)

Investment properties amounting to RM12,986,000 (2016: RM13,266,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

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	**2017**	**2016**
Estimated rental value per square foot per month	**RM2 - RM20**	RM2 - RM20
Discount rate	**4% - 10%**	4% - 10%
Reversionary rate	**4.75% - 10%**	4.75% - 10%

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

During the financial year, the Group recognised a net gains on fair value adjustments amounting to RM3,860,000 (2016: Net loss of RM23,213,000).

In previous financial year, the net loss on fair value adjustments was primarily attributable to an investment property of the Group which recognised a loss of RM51 million as a result of a change in method of valuation.

8. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Quoted shares in Malaysia, at cost	**820,811**	820,811
Unquoted shares, at cost		
- In Malaysia	**3,458,910**	2,755,065
- Outside Malaysia	**279,159**	97,583
	3,738,069	2,852,648
	4,558,880	3,673,459
Less: Impairment losses – unquoted shares	**(124,287)**	(87,009)
	4,434,593	3,586,450
Market value of quoted shares	**1,081,667**	1,068,942

Details of subsidiaries as of 31 December 2017 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	Equity interest held (%) 2016
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
* Sunrise Addition Sdn Bhd	Investment holding	Malaysia	**100**	-
HSC International Limited	Investment holding	Labuan	**100**	-
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services	Malaysia	**-**	100
* HS Credit (Sydney) Pty Ltd *(formerly known as Hap Seng Credit (Australia) Pty Ltd)*	Provision of financial services	Australia	**-**	100
* Hap Seng Auto Sdn Bhd	Trading in motor vehicles and spare parts, servicing of motor vehicles and investment holding	Malaysia	**100**	100

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	2016
	Held by the Company: (continued)				
	Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilizers and agro-chemicals	Malaysia	**100**	100
	Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	**100**	100
	Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	**100**	100
	Hap Seng 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
	Hap Seng Equity Sdn Bhd	Trading in marketable securities	Malaysia	**100**	100
	Sasco Company Ltd	Investment holding	British Virgin Islands	**100**	100
*	Malaysian Mosaics Sdn Bhd ["MMSB"]	Investment holding, manufacture and sale of porcelain and ceramic tiles	Malaysia	**100**	100
	Held by HSP:				
*	Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	**100**	100
*	Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	**100**	100
*	Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
*	Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
*	Hap Seng Edible Oils Sdn Bhd	Dormant	Malaysia	**100**	100

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	Equity interest held (%) 2016
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
Fresh Green Planet Sdn Bhd	Provision of management services	Malaysia	**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

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	2016
Held by Hap Seng Land Development Sdn Bhd: (continued)				
Euro-Asia Brand Holding Company Sdn Bhd	Property development	Malaysia	**100**	100
Hap Seng Construction Sdn Bhd	Construction activities	Malaysia	**100**	100
Sunpoint Resources Sdn Bhd	Property development	Malaysia	**100**	-
Sunhill Ventures Sdn Bhd	Dormant	Malaysia	**100**	-
Hap Seng Land Development (Bangsar) Sdn Bhd	Property development	Malaysia	**80**	80
Hap Seng Land Development (Balakong) Sdn Bhd	Property development	Malaysia	**80**	80
Hap Seng Land Development (JTR 2) Sdn Bhd (40% (2016: 40%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 40% (2016: 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**	70
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

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	Equity interest held (%) 2016
Held by Hap Seng Realty Sdn Bhd: (continued)				
Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Realty (KK I) Sdn Bhd	Property investment	Malaysia	**100**	100
Prosperity Projections Sdn Bhd	Property investment	Malaysia	**100**	100
Lakaran Warisan Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	**100**	100
Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	**100**	100
Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	**80**	80
Held by Sunrise Addition Sdn Bhd:				
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services	Malaysia	**100**	-
* Super8 Capital Sdn Bhd	Dormant	Malaysia	**100**	-
Held by HSC International Limited:				
HSC Sydney Holding Limited	Investment holding	Labuan	**100**	-
+ HSC Manchester Holding Limited *(formerly known as HSC Melbourne Holding Limited)*	Investment holding	Labuan	**100**	-
+ HSC Birmingham Holding Limited *(formerly known as HSC Brisbane Holding Limited)*	Investment holding	Labuan	**100**	-
# HSC Melbourne Holding Pte Ltd	Investment holding	Singapore	**100**	-
# HSC Brisbane Holding Pte Ltd	Investment holding	Singapore	**100**	-

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	2016
Held by HSC Sydney Holding Limited:				
* HS Credit (Sydney) Pty Ltd *(formerly known as Hap Seng Credit (Australia) Pty Ltd)*	Provision of financial services	Australia	**100**	-
Held by HSC Manchester Holding Limited:				
+ HSC Melbourne Pty Ltd	Dormant	Australia	**100**	-
Held by HSC Birmingham Holding Limited:				
+ HSC Brisbane Pty Ltd	Dormant	Australia	**100**	-
Held by HSC Melbourne Holding Pte Ltd:				
+ HS Credit (Melbourne) Pty Ltd	Dormant	Australia	**100**	-
Held by HSC Brisbane Holding Pte Ltd:				
+ HS Credit (Brisbane) 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
* Hap Seng CarFleet Sdn Bhd *(formerly known as Sunlink Resources Sdn Bhd)*	Dormant	Malaysia	**100**	-
* Hap Seng Trucks Distribution Sdn Bhd *(formerly known as Sungreen Synergy Sdn Bhd)*	Dormant	Malaysia	**100**	-
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	**70**	70

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	Equity interest held (%) 2016
Held by Macro Arch (M) Sdn Bhd:				
# PT. Sasco Indonesia (90% (2016: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2016: 10%) is held by Palms Edge (M) Sdn Bhd)	Trading and distribution of fertilizers	Indonesia	**100**	100
Held by Sasco Company Ltd:				
* Sasco (China) Co., Ltd *(formerly known as Lei Shing Hong Wood Products (Shanghai) Co. Ltd.)*	Trading of plywood and wholesale, import and export of fertilizers	People's Republic of China	**100**	100
Held by Hap Seng Building Materials Holdings Sdn Bhd:				
Hap Seng Building Materials Sdn Bhd	Operation of stone quarries and asphalt plants, manufacture and trading of bricks	Malaysia	**100**	100
Hap Seng Clay Products Sdn Bhd	Manufacture and trading of clay products	Malaysia	**100**	100
# Hap Seng Building Materials Marketing Pte Ltd	Trading in building materials	Singapore	**100**	100
Hap Seng Seri Alam Sdn Bhd	Operation of stone quarry	Malaysia	**70**	70
Held by Hap Seng Clay Products Sdn Bhd:				
Kao Fu Bricks Sdn Bhd	In liquidation	Malaysia	**100**	100
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 (%) 2017	2016
Held by Hap Seng Investment Holdings Pte Ltd:				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	**50.82**	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
* Hafary Building Materials Pte Ltd	Investment holding	Singapore	**100**	-
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	**46**	46
* Gres Universal Pte Ltd	Distribution and wholesale of building materials	Singapore	**56**	56
* Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	**51**	51

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2017	Equity interest held (%) 2016
	Held by Hafary International Pte Ltd:				
*	Foshan Hafary Trading Co., Limited	Importing, exporting and distribution of building materials	People's Republic of China	**100**	100
	Held by MMSB:				
*	MML Marketing Sdn Bhd ["MMLM"]	Dormant	Malaysia	**100**	100
*	MML Marketing Pte Ltd	Trading and distribution of porcelain and ceramic tiles	Singapore	**100**	100
*	MML (Shanghai) Trading Co., Ltd	Trading and distribution of porcelain and ceramic tiles	People's Republic of China	**100**	100
*	PT. MML Ceramic Indonesia (90% equity interest is held by MMSB whilst the remaining 10% is held by MMLM)	Trading and distribution of porcelain and ceramic tiles	Indonesia	**100**	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**	100

* *Audited by firms other than Ernst & Young*

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

\+ *There is no statutory requirement for this financial statements in respect of financial period ended 31 December 2017 to be audited*

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
2017				
NCI percentage of ownership interest and voting interest	46.96%	49.18%		
Carrying amount of NCI	470,858	140,921	40,359	652,138
Profit attributable to NCI	64,343	9,705	4,497	78,545
Summarised financial information before intra-group elimination:				
As at 31 December:				
Non-current assets	2,064,790	411,162		
Current assets	254,534	288,869		
Non-current liabilities	(194,546)	(265,653)		
Current liabilities	(53,786)	(248,895)		
Net assets	2,070,992	185,483		
NCI	-	(9,259)		
Net assets attributable to owners of subsidiaries	2,070,992	176,224		
Less: Adjustments on net assets upon consolidation	(1,068,402)	91,490		
Adjusted net assets	1,002,590	267,714		
Year ended 31 December:				
Revenue	555,072	352,941		
Profit for the year	134,823	26,191		
Total comprehensive income	134,823	24,245		
Net cash flows from:				
- operating activities	123,795	38,803		
- investing activities	(14,510)	(13,357)		
- financing activities	(103,970)	(20,547)		
Net increase in cash and cash equivalents	5,315	4,899		
Dividends paid to NCI	(48,816)	(7,057)		

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	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)	98,777		
Adjusted net assets	969,544	266,833		
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)

(b) Disposal of subsidiaries

(i) During the financial year, the Company disposed its entire equity interest in Hap Seng Logistics Sdn Bhd ["HSL"] for total cash consideration of RM750 million as disclosed in Note 43(b).

In previous 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. The exercise price has been received on 3 January 2017.

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

	2017 RM'000 *HSL* 100%	2016 RM'000 *HSCV* 51%
Group		
Property, plant and equipment	**(15,065)**	(34,140)
Investment property	**(155,000)**	-
Deferred tax assets	**-**	(4,282)
Inventories	**-**	(53,163)
Trade and other receivables	**(87,257)**	(149,945)
Tax recoverable	**(59)**	-
Cash and bank balances	**(4,665)**	(1,025)
Trade and other payables	**9,468**	7,591
Tax payable	**-**	599
Deferred tax liabilities	**105**	-
Net assets	**(252,473)**	(234,365)
Cash consideration	**750,000**	382,500
Net assets disposed	**(252,473)**	(119,526)
Expenses on disposal	**(689)**	(550)
Gain on disposal to the Group	**496,838**	262,424
Cash inflow arising from disposals:		
Cash consideration	**750,000**	382,500
Expenses on disposal	**(689)**	(550)
Cash and cash equivalents of subsidiaries disposed	**(4,665)**	(1,025)
Net cash inflow on disposal	**744,646**	380,925
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)

(i) The disposals have the following effects on the financial position and results of the Group and of the Company: (continued)

	2017 RM'000 *HSL* 100%	2016 RM'000 *HSCV* 51%
Company		
Cash consideration	**750,000**	-
Expenses on disposal	**(689)**	-
Net cash inflow on disposal	**749,311**	-
Cost of investment	**(250,156)**	-
Gain on disposal to the Company	**499,155**	-

(ii) During the financial year, the Company also disposed the entire issued share capital of Hap Seng Automotive Acceptance Sdn Bhd ["HSAA"] and HS Credit (Sydney) Pty Ltd *(formerly known as Hap Seng Credit (Australia) Pty Ltd)* ["HCS"] to another wholly-owned subsidiaries as part of the Group's re-organisation as disclosed in Note 43(n) and 43(t).

The disposals have the followings effects on the results of the Company:

	2017		
	RM'000 *HSAA* 100%	RM'000 *HCS* 100%	RM'000 Total
Company			
Cash consideration/Net cash inflow on disposal	**1,804**	**263,966**	**265,770**
Cost of investment	**(1,000)**	**(263,966)**	**(264,966)**
Gain on disposal to the Company	**804**	**-**	**804**

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries

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

(i) Sasco Company Ltd ["SCL"] at a cash consideration of USD3,215,401 which was equivalent to RM13,781,000; and

(ii) Malaysian Mosaics Sdn Bhd ["MMSB"] at a cash consideration of RM380 million.

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 were 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 in the previous financial year, the Company entered into a shares sale agreement with Gek Poh (Holdings) Sdn Bhd ["Gek Poh"], whereby Gek Poh has provided a guarantee that the consolidated profit after tax ["PAT"] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016 ["Guaranteed PAT"].

The Guaranteed PAT and the audited PAT up to the year ended 31 December 2017 are as follows:

	Guaranteed PAT RM'000	Audited PAT RM'000	Surplus/ (shortfall) RM'000
31 December 2016	30,710	30,826	116
31 December 2017	40,927	* 5,233	(35,694)
31 December 2018	53,897	^	^
31 December 2019	67,523	^	^
31 December 2020	81,973	^	^
Total	275,030	36,059	(35,578)

* *excluding the net gain from MMSB Disposal of approximately RM60.33 million as disclosed in Note 43(o).*

^ *information is not available yet as this pertains to the future.*

Based on the audited results of MMSB for the financial year ended 31 December 2017, the Guaranteed PAT for the financial year ended 31 December 2017 has not been fulfilled, therefore, Gek Poh has an obligation to pay the net cumulative shortfall of RM35.578 million to the Company. Accordingly, the Company has recognised the aforesaid profit guarantee shortfall in the profit or loss as disclosed in Note 28(a) and as a receivable in the statement of financial position as disclosed at in Note 13.

The management has reassessed the projected profit for each of the remaining 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. The Group and the Company have recognised a contingent consideration of RM55.584 million as disclosed in Note 13 and Note 28(a).

9. INVESTMENT IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	**111,600**	153,107	**-**	-
	478,851	520,358	**103,741**	103,741
Exchange differences	**11,193**	11,354	**-**	-
	490,044	531,712	**103,741**	103,741
Less: Accumulated impairment losses - quoted shares	**(37,813)**	(30,778)	**(29,811)**	(24,384)
	452,231	500,934	**73,930**	79,357
Market value of quoted shares	**134,361**	132,419	**134,361**	132,419

9. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2017 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2017	2016
Held by the Company:					
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	20.00	20.00
GLM Emerald (Sepang) Sdn Bhd *(formerly known as 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 GLM Emerald (Sepang) Sdn Bhd *(formerly known as 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 2017.

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
2017				
(i) Summary of financial information				
As at 31 December:				
Non-current assets	691,780	390,641	297,501	1,379,922
Current assets	49,591	388,034	153,115	590,740
Non-current liabilities	(184,891)	(14,419)	(18,715)	(218,025)
Current liabilities	(9,980)	(287,039)	(52,959)	(349,978)
Net assets	546,500	477,217	378,942	1,402,659
NCI	-	(39,859)	-	(39,859)
Net assets attributable to owner of associates	546,500	437,358	378,942	1,362,800
Year ended 31 December:				
Revenue	42,768	960,972	409,036	1,412,776
Profit for the year	20,854	53,745	34,730	109,329
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	273,249	87,472	100,265	460,986
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(37,813)	(37,813)
Carrying amount in statement of financial position	274,203	87,790	90,238	452,231
(iii) Group's share of results of associates	10,427	10,749	13,437	34,613
(iv) Dividends received from associates	13,000	1,824	61,296	76,120

9. INVESTMENT IN ASSOCIATES (CONTINUED)

	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

10. INVESTMENT IN JOINT VENTURES

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares outside Malaysia, at cost	**9,865**	495
Share of post-acquisition reserves	**(432)**	271
Exchange differences	**-**	78
At 31 December	**9,433**	844

Details of the joint ventures as of 31 December 2017 are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2017	Equity interest held (%) 2016
Held by Hafary Pte Ltd:					
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	31 December	**50.00**	50.00
# Guangdong ITA Element Building Materials Co., Limited	Production and distribution of tiles	People's Republic of China	31 December	**50.00**	-

* *Audited by a firm other than Ernst & Young*

\# *The unaudited management financial statements at 31 December 2017 of joint venture have been used for equity accounting purpose as the joint venture is not material.*

10. INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's joint ventures.

		Group	
		2017 **RM'000**	**2016** **RM'000**
(i)	Summary of financial information		
	As at 31 December:		
	Non-current assets	**2,344**	841
	Current assets	**21,498**	4,415
	Non-current liabilities	**(15)**	(22)
	Current liabilities	**(4,962)**	(3,546)
	Net assets	**18,865**	1,688
	Year ended 31 December:		
	Revenue	**11,462**	13,640
	(Loss)/profit for the year	**(1,191)**	208
(ii)	Group's share of net assets/carrying amount in statement of financial position	**9,433**	844
(iii)	Group's share of results of joint ventures	**(597)**	104
(iv)	Dividends received from a joint venture	**106**	239

11. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost:		
At 1 January	**720,173**	674,049
Additions	**174,385**	316,245
Transfer to:		
- investment properties (Note 7)	**-**	(153,429)
- property development costs (Note 16)	**(57,114)**	(86,975)
Costs charged to profit or loss	**(50,453)**	(29,717)
At 31 December	**786,991**	720,173
Represented by:		
Freehold land	**368,735**	373,140
Leasehold land	**180,629**	236,953
Land development expenditure	**237,627**	110,080
	786,991	720,173

Included in additions was interest expense capitalised of RM11,475,000 (2016: RM11,356,000).

12. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Total RM'000
Group			
At cost			
At 1 January 2016	54,450	44,672	99,122
Acquisition of subsidiary	48,701	-	48,701
Exchange differences	(2,189)	(5,523)	(7,712)
At 31 December 2016/1 January 2017/31 December 2017	**100,962**	**39,149**	**140,111**
Accumulated amortisation/impairment loss			
At 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 2016/1 January 2017	**15,813**	**39,149**	**54,962**
Impairment loss	**48,413**	**-**	**48,413**
At 31 December 2017	**64,226**	**39,149**	**103,375**
Net carrying amount			
At 31 December 2016	85,149	-	85,149
At 31 December 2017	**36,736**	**-**	**36,736**

(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 2017 RM'000	Group 2016 RM'000
Plantation	**36,736**	36,736
Manufacturing	**-**	48,413
	36,736	85,149

(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.

12. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (continued)

(ii) 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% (2016: 1%) and discounted at the rate of 12% (2016: 11%) which reflects the risks specific to the CGU. The goodwill allocated to manufacturing CGU has been fully impaired during the financial year.

(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		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-current				
Trade receivables				
Lease receivables	**452**	1,532	**-**	-
Hire purchase receivables	**596,992**	441,801	**-**	-
Loan receivables	**1,001,786**	650,524	**-**	-
	1,599,230	1,093,857	**-**	-
Less: Allowance for impairment	**(14,382)**	(12,920)	**-**	-
Advances received	**(57,698)**	(39,683)	**-**	-
	1,527,150	1,041,254	**-**	-
Non-trade receivables				
Contingent consideration (Note 8(c))	**39,207**	-	**39,207**	-
	1,566,357	1,041,254	**39,207**	-

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables				
Third parties	**935,831**	800,315	**-**	-
Lease receivables	**3,124**	4,898	**-**	-
Hire purchase receivables	**427,741**	385,309	**-**	-
Loan receivables	**370,191**	249,808	**-**	-
Accrued billings	**163,993**	84,953	**-**	-
Amounts due from other related companies	**1,140**	1,230	**-**	-
Amounts due from associates	**6**	4,051	**-**	-
Amounts due from a joint venture	**1,673**	503	**-**	-
	1,903,699	1,531,067	**-**	-
Less: Allowance for impairment	**(21,568)**	(23,705)	**-**	-
Interest in suspense	**(10,408)**	(12,532)	**-**	-
Advances received	**(31,779)**	(30,093)	**-**	-
	1,839,944	1,464,737	**-**	-
Non-trade receivables				
Other receivables	**457,714**	508,705	**685**	626
Prepayments	**43,979**	23,865	**84**	197
Goods and Services Tax ("GST") recoverable	**10,275**	26,210	**-**	-
Profit guarantee shortfall due from holding company (Note 8(c))	**35,578**	-	**35,578**	-
Contingent consideration (Note 8(c))	**16,377**	-	**16,377**	-
Amounts due from subsidiaries	**-**	-	**95,318**	400,123
Amounts due from associates	**-**	4,541	**-**	55
Amounts due from a joint venture	**1,628**	2,035	**-**	-
	565,551	565,356	**148,042**	401,001
	2,405,495	2,030,093	**148,042**	401,001
Total trade and other receivables (current and non-current)	**3,971,852**	3,071,347	**187,249**	401,001
Less: Accrued billings	**(163,993)**	(84,953)	**-**	-
Prepayments	**(43,979)**	(23,865)	**(84)**	(197)
GST recoverable	**(10,275)**	(26,210)	**-**	-
Add: Cash and bank balances (Note 18)	**648,257**	648,284	**184,938**	203,926
Total loans and receivables	**4,401,862**	3,620,603	**372,103**	604,730

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 (2016: 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			
2017			
Less than 1 year	**489,517**	**(58,652)**	**430,865**
Between 1 and 5 years	**647,295**	**(49,851)**	**597,444**
	1,136,812	**(108,503)**	**1,028,309**
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

(iii) Amounts due from other related companies

Amounts due from other related companies are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 13(a)(i).

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

(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).

Ageing analysis of trade receivables

	Group	
	2017 RM'000	**2016 RM'000**
Total trade receivables:		
- Current	**1,903,699**	1,531,067
- Non-current	**1,599,230**	1,093,857
	3,502,929	2,624,924
Less: Accrued billings	**(163,993)**	(84,953)
	3,338,936	2,539,971

The ageing analysis of trade receivables is as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Neither past due nor impaired	**530,038**	493,203
Past due but not impaired:		
- Past due 1 - 30 days	**165,170**	133,790
- Past due 31 - 90 days	**146,753**	91,322
- Past due more than 90 days	**83,056**	76,991
	394,979	302,103
Assessed for individual impairment	**60,945**	61,336
Assessed for collective impairment	**2,352,974**	1,683,329
Total trade receivables	**3,338,936**	2,539,971

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	
	2017 RM'000	**2016 RM'000**
At 1 January	**36,625**	30,791
Allowance for impairment losses (Note 29)	**14,358**	12,727
Reversal of impairment losses (Note 29)	**(8,115)**	(2,478)
Written off	**(6,740)**	(4,716)
Acquisition of subsidiaries	**-**	337
Exchange differences	**(178)**	(36)
At 31 December	**35,950**	36,625

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 RM394,979,000 (2016: RM302,103,000) that are past due at the reporting date but not impaired.

Receivables that are assessed for individual impairment

The Group's trade receivables that are assessed for individual impairment at the reporting date are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Trade receivables - nominal amounts	**60,945**	61,336
Less: Allowance for impairment	**(28,257)**	(29,496)
	32,688	31,840

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 72% (2016: 72%) 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.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are assessed for collective impairment

These are in respect of hire purchase and loans receivables which have been assessed for collective impairment are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Not past due	**1,962,572**	1,307,355
Past due 1 - 30 days	**214,019**	211,392
Past due 31 - 90 days	**176,383**	164,582
Total assessed for collective impairment - nominal amounts	**2,352,974**	1,683,329
Less: Allowance for impairment	**(7,693)**	(7,129)
	2,345,281	1,676,200

More than 99% (2016: 99%) of 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.

(b) Non-trade receivables

(i) Other receivables

Included in other receivables of the Group for the previous financial year was an amount receivable from exercise of put option to dispose the remaining 49% equity interest in a former subsidiary amounted to RM367,500,000. This amount has been received during the year as disclosed in Note 8(b)(i).

(ii) Contingent consideration

The Group and the Company have considered the projected profits and Guaranteed PAT for the remaining profit guarantee years and remeasured the contingent consideration to its fair value at the reporting date. A contingent consideration of RM55,584,000 was determined and has been recognised in the profit or loss with a corresponding contingent asset of the same amount in the statement of financial position.

(iii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest bearing and repayable on demand. During the financial year, interest is charged at 4.56% (2016: 4%) per annum.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables (continued)

(iv) 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 in the previous financial year of RM4,486,000 for the Group and bears interest at rate of 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar ["USD"]	**40,824**	42,636	**-**	-
Australian Dollar ["AUD"]	**-**	342	**95,318**	-
Singapore Dollar ["SGD"]	**12,546**	8,890	**-**	-
Chinese Renminbi ["RMB"]	**1,932**	-	**-**	-
Brunei Dollar ["BND"]	**-**	512	**-**	-
Euro	**171**	282	**-**	-
	55,473	52,662	**95,318**	-

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group	
	2017 RM'000	**2016 RM'000**
OTHER FINANCIAL ASSETS		
Non-current		
Available-for-sale financial assets		
- Equity instruments (unquoted in Malaysia) at cost	**18,012**	18,012
- Equity instruments (unquoted outside Malaysia) at cost	**6,226**	6,457
	24,238	24,469
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**3,546**	89,862
Financial assets at fair value through profit or loss		
- Held for trading equity instruments (quoted outside Malaysia)	**1,779**	1,513
	29,563	115,844
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
- Cross currency interest rate swaps - cash flow hedges	**30,884**	72,335
	30,884	74,764
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**23**	918
	30,907	171,243

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

	Group	
	2017 RM'000	**2016 RM'000**
OTHER FINANCIAL LIABILITIES		
Non-current		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**7,170**	-
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts - fair value hedges	**6,453**	-
- Forward currency contracts - cash flow hedges	**4,665**	-
- Cross currency interest rate swaps - cash flow hedges	**25,805**	1,201
	36,923	1,201
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**796**	-
	37,719	1,201

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 which existed at the reporting date, extending to June 2018 (2016: March 2017). 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.

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Derivatives (continued)

(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	
	2017 RM'000	**2016 RM'000**
Cost		
Properties held for sale	**111,069**	133,480
Raw materials	**99,771**	94,241
Produce inventories	**32,318**	42,674
Work-in-progress	**27,479**	22,821
Finished goods	**797,976**	707,953
	1,068,613	1,001,169
Net realisable value		
Raw materials	**9,113**	6,347
Finished goods	**270,873**	155,945
	279,986	162,292
	1,348,599	1,163,461
Recognised in profit or loss		
Inventories recognised as cost of sales	**3,776,583**	3,447,963

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 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)	9,629	77,346	-	86,975
- inventories	(6,886)	(30,087)	-	(36,973)
Costs incurred during the year	22,540	335,730	-	358,270
Costs charged to profit or loss	-	-	(308,078)	(308,078)
Reversal of completed projects	(59,306)	(246,528)	305,834	-
At 31 December 2016/1 January 2017	**315,400**	**524,509**	**(157,523)**	**682,386**
Transfer from/(to):				
- land held for property development (Note 11)	**15,626**	**41,488**	**-**	**57,114**
- inventories	**(1,665)**	**(46,202)**	**-**	**(47,867)**
Costs incurred during the year	**-**	**369,422**	**-**	**369,422**
Costs charged to profit or loss	**-**	**-**	**(246,360)**	**(246,360)**
Reversal of completed projects	**(6,217)**	**(204,216)**	**210,433**	**-**
At 31 December 2017	**323,144**	**685,001**	**(193,450)**	**814,695**

Included in the property development costs incurred during the financial year was interest expense capitalised of RM14,405,000 (2016: RM21,919,000).

17. 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.

18. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and on hand	**354,413**	359,020	**778**	753
Deposits with licensed banks	**293,844**	325,264	**184,160**	203,173
Cash and bank balances	**648,257**	684,284	**184,938**	203,926
Less: Bank overdrafts (Note 22)	**-**	(245)	**-**	-
Cash and cash equivalents	**648,257**	684,039	**184,938**	203,926

Included in cash at banks of the Group are amounts totalling RM39,536,000 (2016: RM105,133,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) Regulations 1991 and the Housing Developers (Project Account) Rules 1995.

Included in cash at banks of the Group and of the Company are amounts totalling RM87,245,000 (2016: RM9,170,000) and RM732,000 (2016: RM668,000) respectively which earned interest at floating rates of 1.0% to 3.0% (2016: 1.0% to 3.0%) per annum for the Group and 2.6% to 3.0% (2016: 2.6% to 3.0%) per annum for the Company.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD	**6,783**	24,054	**-**	-
SGD	**184,160**	202,413	**184,160**	202,413
Vietnamese Dong ["VND"]	**1,849**	1,337	**-**	-
Euro	**11**	-	**-**	-
	192,803	227,804	**184,160**	202,413

Other information on financial risks of cash and cash equivalents are disclosed in Note 40.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-current				
Trade payables				
Deposits from lessees	**1,527**	833	**-**	-
Current				
Trade payables				
Third parties	**467,105**	425,779	**-**	-
Amounts due to other related companies	**407**	654	**-**	-
Amounts due to a joint venture	**984**	1,018	**-**	-
	468,496	427,451	**-**	-
Non-trade payables				
Accruals	**287,025**	191,839	**3,471**	3,126
Other payables	**227,332**	248,257	**17**	39
GST payable	**4,218**	2,307	**-**	-
Amounts due to subsidiaries	**-**	-	**528,263**	103
	518,575	442,403	**531,751**	3,268
	987,071	869,854	**531,751**	3,268
Total trade and other payables (current and non-current)	**988,598**	870,687	**531,751**	3,268
Less: GST payable	**(4,218)**	(2,307)	**-**	-
Add: Borrowings (Note 22)	**4,478,875**	4,425,247	**-**	-
Total financial liabilities carried at amortised cost	**5,463,255**	5,293,627	**531,751**	3,268

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 (2016: 30 to 90 days).

(ii) Amounts due to other related companies

Amounts due to other related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 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 RM72,529,000 (2016: RM121,484,000) for the Group which relates to a company connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company, is unsecured, repayable on demand and bears interest at rate of 4% (2016: 4%) per annum.

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM527,380,000 (2016: RM Nil) which bears interest at rate of 4.56% (2016: Nil %) per annum.

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

	Group	
	2017 RM'000	**2016 RM'000**
USD	**83,246**	66,746
Euro	**6,851**	5,573
SGD	**1,714**	39
RMB	**11,294**	-
	103,105	72,358

20. PROVISIONS

	Property development obligations RM'000	Foreseeable losses RM'000	Rebates RM'000	Total RM'000
Group				
At 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 2016/1 January 2017	**8,683**	**12,000**	**1,623**	**22,306**
Reversal during the year	**(2,500)**	**(12,000)**	**-**	**(14,500)**
Provision made during the year	**-**	**-**	**1,983**	**1,983**
Provision utilised during the year	**(1,208)**	**-**	**(1,588)**	**(2,796)**
Exchange differences	**-**	**-**	**(35)**	**(35)**
At 31 December 2017	**4,975**	**-**	**1,983**	**6,958**

	2017 RM'000	2016 RM'000
Current	**6,958**	10,306
Non-current	**-**	12,000
	6,958	22,306

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	
	2017 RM'000	**2016 RM'000**
Defined benefit obligation	**6,155**	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% (2016: 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	
	2017 RM'000	**2016 RM'000**
At 1 January	**5,600**	-
Exchange differences	**(17)**	-
	5,583	-
Acquisition of subsidiaries	**-**	5,206
	5,583	5,206
Included in profit or loss:		
Current service cost	**386**	520
Interest cost	**326**	295
	712	815
Included in other comprehensive income:		
Remeasurement loss/(gain) arising from financial assumptions	**113**	(293)
Other:		
Benefits paid	**(250)**	(147)
Exchange differences	**(3)**	19
At 31 December	**6,155**	5,600

21. EMPLOYEE BENEFITS (CONTINUED)

Plan assets

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2017	**2016**
	%	**%**
Discount rate	**5.75 - 7.05**	5.75 - 8.45
Future salary growth	**6.00 - 8.00**	6.00 - 8.00

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group			
	2017		**2016**	
	Increase RM'000	**Decrease RM'000**	**Increase RM'000**	**Decrease RM'000**
Defined benefit obligation				
Discount rate (1% movement)	**(631)**	**750**	(591)	704
Future salary growth (1% movement)	**401**	**(351)**	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 2017 RM'000	Group 2016 RM'000
Non-current		
Secured:		
Term loans	**262,671**	277,284
Finance leases	**1,259**	2,097
	263,930	279,381
Unsecured:		
Term loans	**1,331,307**	1,640,935
	1,595,237	1,920,316
Current		
Secured:		
Term loans	**12,843**	11,320
Revolving credits	**89,282**	79,884
Trust receipts	**72,938**	73,627
Finance leases	**1,253**	1,646
	176,316	166,477
Unsecured:		
Term loans	**839,859**	845,634
Revolving credits	**1,642,050**	1,354,928
Bankers' acceptances	**225,413**	137,647
Bank overdrafts	**-**	245
	2,707,322	2,338,454
	2,883,638	2,504,931
Total borrowings	**4,478,875**	4,425,247

The secured borrowings are in respect of foreign subsidiaries' borrowings which are secured against their buildings as disclosed Note 4, leasehold land as disclosed in Note 5 and investment properties as disclosed in Note 7.

22. BORROWINGS (CONTINUED)

The remaining maturities of the borrowings are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Within one year	**2,883,638**	2,504,931
More than 1 year and less than 2 years	**411,459**	819,784
More than 2 years and less than 5 years	**954,714**	831,821
More than 5 years	**229,064**	268,711
	4,478,875	4,425,247

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	
	2017 RM'000	**2016 RM'000**
SGD	**282,515**	288,275
USD	**1,315,782**	1,619,907
Euro	**26,402**	21,394
	1,624,699	1,929,576

Other information on financial risks of borrowings are disclosed in Note 40.

22. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities:

	1 January RM'000	Cash flows RM'000	Other changes RM'000	31 December RM'000
Group				
2017				
Non-current				
Term loans	**1,918,219**	**534,620**	**(858,861)**	**1,593,978**
Finance leases	**2,097**	**-**	**(838)**	**1,259**
Current				
Term loans	**856,954**	**(698,908)**	**694,656**	**852,702**
Revolving credits	**1,434,812**	**307,106**	**(10,586)**	**1,731,332**
Trust receipts	**73,627**	**887**	**(1,576)**	**72,938**
Finance leases	**1,646**	**(1,860)**	**1,467**	**1,253**
Bankers' acceptances	**137,647**	**87,766**	**-**	**225,413**
Total liabilities from financing activities	**4,425,002**	**229,611**	**(175,738)**	**4,478,875**
2016				
Non-current				
Term loans	1,859,166	671,438	(612,385)	1,918,219
Finance leases	981	1,059	57	2,097
Current				
Term loans	602,718	(480,761)	734,997	856,954
Revolving credits	1,487,564	(194,409)	141,657	1,434,812
Trust receipts	86,262	(14,025)	1,390	73,627
Finance leases	883	(2,436)	3,199	1,646
Bankers' acceptances	149,769	(37,107)	24,985	137,647
Total liabilities from financing activities	4,187,343	(56,241)	293,900	4,425,002

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**208,781**	185,426	**21**	20
Recognised in profit or loss (Note 32)	**(584)**	(5,437)	**(6)**	1
Acquisition of subsidiaries	**-**	24,965	**-**	-
Disposal of a subsidiary	**(105)**	4,282	**-**	-
Exchange differences	**(433)**	(455)	**-**	-
At 31 December	**207,659**	208,781	**15**	21
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**222,906**	230,590	**15**	21
Deferred tax assets	**(15,247)**	(21,809)	**-**	-
	207,659	208,781	**15**	21

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 2017	**192,794**	**107,403**	**-**	**300,197**
Recognised in profit or loss	**201**	**(8,961)**	**4,538**	**(4,222)**
Disposal of a subsidiary	**(921)**	**-**	**-**	**(921)**
Exchange differences	**(54)**	**(482)**	**-**	**(536)**
At 31 December 2017	**192,020**	**97,960**	**4,538**	**294,518**
Less: Deferred tax assets offset				**(71,612)**
Deferred tax liabilities recognised				**222,906**
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

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 2017	**(52,338)**	**(19,624)**	**(19,454)**	**(91,416)**
Recognised in profit or loss	**(3,091)**	**1,230**	**5,499**	**3,638**
Disposal of a subsidiary	**816**	**-**	**-**	**816**
Exchange differences	**-**	**7**	**96**	**103**
At 31 December 2017	**(54,613)**	**(18,387)**	**(13,859)**	**(86,859)**
Offset against deferred tax liabilities				**71,612**
Deferred tax assets recognised				**(15,247)**
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)

Deferred tax liabilities of the Company:

	2017 RM'000	2016 RM'000
Accelerated capital allowances		
At 1 January	**21**	20
Recognised in profit or loss	**(6)**	1
At 31 December	**15**	21

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

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

	Group	
	2017 RM'000	**2016 RM'000**
Unutilised tax losses	**168,444**	237,926
Unabsorbed capital and agriculture allowances	**91,462**	20,617
Unabsorbed reinvestment allowances	**113,296**	148,772
Other temporary differences	**27,771**	12,612
	400,973	419,927

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 AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares		Amount	
	2017 '000	**2016 '000**	**2017 RM'000**	**2016 RM'000**
Authorised:				
At 1 January	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Transition to no-par value regime under the Companies Act 2016	**(5,000,000)**	-	**(5,000,000)**	-
At 31 December	**-**	5,000,000	**-**	5,000,000
Issued and fully paid:				
At 1 January	**2,489,682**	2,249,731	**2,489,682**	2,249,731
Exercise of warrants	**-**	239,951	**-**	239,951
Transition to no-par value regime under the Companies Act 2016	**-**	-	**1,029,872**	-
At 31 December	**2,489,682**	2,489,682	**3,519,554**	2,489,682

24. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(a) Share capital (continued)

The new Companies Act 2016 ("Act"), which was effective from 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, amounts standing to the credit of the share premium and capital redemption reserve accounts of RM903,605,000 and RM126,267,000 respectively became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amounts standing to the credit of its share premium and capital redemption reserve accounts for purposes as set out in Section 618(3) and 618(4) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

In the previous financial year, 239,950,446 ordinary shares were issued at an exercise price of RM1.65 per ordinary share for cash pursuant to the exercise of warrants. The remaining warrants not exercised expired on 9 August 2016 and were subsequently removed from the official list of Bursa Securities with effect from 10 August 2016.

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) Treasury shares

During the annual general meeting of the Company held on 31 May 2017, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 (2016: 103,000) shares at the cost of RM37,547 (2016: RM794,769). All repurchases of shares were financed by the Company's internally generated funds.

In the previous financial year, the Company resold 93,159,900 treasury shares at average net resale price of RM7.67 per share after transaction costs. Total net consideration received from the resale was RM714,303,215.

At 31 December 2017, the Company held 6,000 (2016: 2,000) treasury shares.

24. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(b) 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 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 2016/1 January 2017	**2,000**	**15,982**	**7.99**
Repurchased during the year	**4,000**	**37,547**	**9.39**
As of 31 December 2017	**6,000**	**53,529**	**8.92**

25. RESERVES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Non-distributable reserves	**69,814**	1,058,398	**(30,973)**	998,899
(b) Distributable reserve				
- Retained profits	**2,175,002**	1,942,612	**862,985**	782,889
	2,244,816	3,001,010	**832,012**	1,781,788

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 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 expense 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)

	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	Other reserve RM'000	Total non-distributable reserves RM'000
Group (continued)									
At 1 January 2017	903,605	35,038	(15,670)	22,760	17,001	126,267	370	(30,973)	1,058,398
Transition to no-par value regime under the Companies Act 2016	(903,605)	-	-	-	-	(126,267)	-	-	(1,029,872)
Foreign currency translation differences for foreign operations	-	-	-	(18,282)	-	-	-	-	(18,282)
Share of foreign currency translation differences of:									
- associates	-	-	-	736	-	-	-	-	736
- joint ventures	-	-	-	(40)	-	-	-	-	(40)
Change in fair value of cash flow hedge	-	-	2,231	-	-	-	-	-	2,231
Revaluation of properties prior to being transferred out to investment properties	-	-	-	-	57,013	-	-	-	57,013
Total other comprehensive income for the year	-	-	2,231	(17,586)	57,013	-	-	-	41,658
Share-based payments by a subsidiary	-	-	-	-	-	-	98	-	98
Conversion of employees share option	-	-	-	-	-	-	(468)	-	(468)
At 31 December 2017	-	35,038	(13,439)	5,174	74,014	-	-	(30,973)	69,814

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. The amount standing to the credit of the share premium account of RM903,605,000 became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act.

(ii) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2016: 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 (2016: 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 forward currency contracts and cross currency interest rate swaps entered by the Group to limit its exposure to foreign currency risk on its foreign currency loan.

(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 joint ventures.

(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. The amount standing to the credit of the capital redemption reserve account of RM126,267,000 became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act.

25. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

(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.

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2017 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dividend income:				
- From subsidiaries	**-**	-	**363,144**	875,735
- From associates	**-**	-	**62,482**	3,299
Sale of plantation produce	**555,072**	503,427	**-**	-
Sale of goods and services	**3,652,752**	3,365,921	**-**	-
Interest income from provision of financial services	**157,966**	148,613	**-**	-
Sale of properties under development	**341,708**	458,976	**-**	-
Sale of completed properties	**91,566**	133,646	**-**	-
Sale of lands	**432,149**	227,200	**-**	-
Property rental	**57,520**	53,931	**-**	-
	5,288,733	4,891,714	**425,626**	879,034

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Bank borrowings	**163,916**	157,549	**-**	-
Borrowings from other institutions	**4,023**	5,325	**-**	-
Amount due to a related party	**4,280**	2,921	**-**	-
Amount due to a subsidiary	**-**	-	**855**	3,833
	172,219	165,795	**855**	3,833
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 4)	**-**	(1,600)	**-**	-
- Land held for property development (Note 11)	**(11,475)**	(11,356)	**-**	-
- Property development costs (Note 16)	**(14,405)**	(21,919)	**-**	-
	146,339	130,920	**855**	3,833

28. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Other gain items				
Gain on disposal of subsidiaries	**496,838**	-	**499,959**	-
Profit guarantee shortfall receivable from holding company (Note 8(c))	**35,578**	-	**35,578**	-
Contingent consideration (Note 8(c))	**55,584**	-	**55,584**	-
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
	588,000	520,174	**591,121**	5,427

28. OTHER GAIN/(LOSS) ITEMS (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(b) Other loss items				
Impairment loss on investment in a subsidiary	**-**	-	**(37,278)**	-
Impairment loss on investment in an associate	**(7,035)**	-	**(5,427)**	-
Impairment loss on intangible assets				
- goodwill	**(48,413)**	(15,813)	**-**	-
- customer relationship	**-**	(24,793)	**-**	-
	(55,448)	(40,606)	**(42,705)**	-

29. PROFIT BEFORE TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging/ (crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young	**587**	579	**130**	130
- overseas member firms of Ernst & Young	**175**	222	**-**	-
- other auditors	**1,523**	1,080	**-**	-
- under/(over) provision in prior years				
- Ernst & Young	**-**	(2)	**-**	-
- overseas member firms of Ernst & Young	**-**	(20)	**-**	-
- other auditors	**95**	(65)	**-**	-
Non audit fees for services rendered by				
- Ernst & Young	**320**	189	**15**	135
- local member firms of Ernst & Young	**440**	402	**158**	63
- overseas member firms of Ernst & Young	**47**	136	**25**	-

29. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging/ (crediting): (continued)				
Operating lease payments on:				
- land and buildings	**35,362**	29,495	**-**	-
- plant and machinery	**28,908**	26,284	**-**	-
- motor vehicles	**1,974**	-	**1,032**	696
Depreciation of property, plant and equipment (Note 4)	**134,745**	115,820	**513**	458
Amortisation of prepaid lease payments (Note 5)	**9,076**	7,125	**-**	-
Amortisation of intangible assets (Note 12)	**-**	7,830	**-**	-
Property, plant and equipment written off	**2,932**	1,681	**1**	-
Replanting expenditure	**25,537**	21,690	**-**	-
Share-based payment expense	**193**	365	**-**	-
Biological assets written off (Note 6)	**242**	63	**-**	-
Bad debts written off	**175**	181	**-**	-
Allowance for impairment losses				
- trade receivables (Note 13)	**14,358**	12,727	**-**	-
Net inventories written down	**12,094**	8,561	**-**	-
Employee benefits expenses (Note 30)	**430,030**	367,496	**11,196**	11,567
Direct operating expenses arising from investment properties – rental generating properties	**30,411**	21,661	**-**	-
Gain on held for trading equity instruments at fair value	**(9,216)**	(1,741)	**-**	-
Net foreign exchange loss/(gains)	**11,690**	(10,592)	**16,593**	(7,566)
Gain on disposal of property, plant and equipment	**(95,963)**	(93,088)	**-**	(29)
Gain on money market deposits at fair value	**(1,403)**	(451)	**-**	-
Net (gains)/loss from fair value adjustments of investment properties (Note 7)	**(3,860)**	23,213	**-**	-
Impairment loss on property, plant and equipment	**34,870**	16,090	**-**	-
Dividend income from available-for-sale equity instruments	**(720)**	(800)	**-**	-

29. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging/ (crediting): (continued)				
Dividend income from held for trading equity instruments	**-**	(2,316)	**-**	-
Dividend income from money market deposits	**(15,028)**	(8,396)	**-**	(4,236)
Dividend income				
- from subsidiaries	**-**	-	**(363,144)**	(875,735)
- from associates	**-**	-	**(62,482)**	(3,299)
Reversal of impairment losses				
- trade receivables (Note 13)	**(8,115)**	(2,478)	**-**	-
Reversal of provisions	**(14,500)**	(2,471)	**-**	-
Recovery of bad debts	**(840)**	(1,930)	**-**	-
Rental income from properties	**(8,002)**	(8,767)	**(7)**	(10)
Interest income from:				
- deposits with licensed banks	**(9,044)**	(9,749)	**(1,502)**	(4,565)
- subsidiaries	**-**	-	**(21,045)**	(4,789)
- others	**(4,315)**	(1,683)	**-**	(423)

30. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and other staff related expenses	**394,382**	336,840	**9,991**	10,293
Pension costs – defined contribution plans	**35,648**	30,656	**1,205**	1,274
	430,030	367,496	**11,196**	11,567

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM31,643,000 (2016: RM30,446,000) and RM10,822,000 (2016: RM11,348,000) respectively as further disclosed in Note 31.

31. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive directors' remuneration:				
Fees				
- Directors of the Company	**187**	180	**-**	-
Other emoluments				
- Directors of the Company	**8,660**	9,399	**7,349**	8,162
- Other directors	**22,796**	20,867	**3,473**	3,186
	31,643	30,446	**10,822**	11,348
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	**933**	840	**763**	680
- Other directors	**1,193**	1,161	**-**	-
Other emoluments				
- Other directors	**588**	318	**-**	-
	2,714	2,319	**763**	680
Total directors' remuneration	**34,357**	32,765	**11,585**	12,028
Other key management personnel compensation	**49,389**	44,373	**-**	-
	83,746	77,138	**11,585**	12,028

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 RM7,866,000 (2016: RM7,369,000) and RM1,205,000 (2016: RM1,269,000) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company	**144**	116	**144**	116
Other directors	**498**	397	**137**	81
Other key management personnel	**1,339**	1,307	**-**	-
	1,981	1,820	**281**	197

32. TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian income tax:				
- Current income tax	**201,866**	170,912	**5,071**	2,022
- Under/(over) provision in prior year	**3,465**	3,780	**(11)**	(11)
	205,331	174,692	**5,060**	2,011
Foreign income tax:				
- Current income tax	**8,424**	10,164	**-**	-
- (Over)/under provision in prior year	**(230)**	73	**-**	-
	8,194	10,237	**-**	-
Total income tax	**213,525**	184,929	**5,060**	2,011
Deferred tax (Note 23):				
- Relating to origination and reversal of temporary differences	**1,177**	(6,543)	**(6)**	3
- (Over)/under provision in prior year	**(1,761)**	1,106	**-**	(2)
Total deferred tax	**(584)**	(5,437)	**(6)**	1
Total tax expense	**212,941**	179,492	**5,054**	2,012

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	**1,395,388**	1,244,935	**956,537**	872,940
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	**334,893**	298,784	**229,569**	209,506
Effect of different tax rates in other countries	**(1,095)**	2,217	**-**	-
Effect of gains taxed at Real Property Gains Tax rate	**(26,430)**	(5,563)	**-**	-
Income not subject to tax	**(150,632)**	(130,298)	**(244,093)**	(215,224)
Expenses not deductible for tax purposes	**64,162**	29,640	**19,589**	7,743
Effect of share of results of associates	**(6,701)**	(19,428)	**-**	-
Effect of share of results of joint ventures	**101**	(18)	**-**	-
Utilisation of previously unrecognised deferred tax assets	**(2,831)**	(801)	**-**	-
Under/(over) provision in prior year				
- income tax	**3,235**	3,853	**(11)**	(11)
- deferred tax	**(1,761)**	1,106	**-**	(2)
Tax expense for the year	**212,941**	179,492	**5,054**	2,012

33. EARNINGS PER SHARE

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	
	2017	**2016**
Profit attributable to owners of the Company (RM'000)	**1,103,902**	1,000,960
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**2,489,680**	2,156,672
Effect of warrants exercised during the year	**-**	153,782
Effect of shares resale during the year	**-**	52,496
Effect of shares buyback during the year	**(1)**	(48)
Weighted average number of ordinary shares at 31 December	**2,489,679**	2,362,902
Basic earnings per share (sen)	**44.34**	42.36

34. DIVIDENDS

	Group/Company	
	2017 RM'000	**2016 RM'000**
Recognised during the year:		
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
Dividends paid in respect of financial year ended 31 December 2017:		
- first interim (15.0 sen per share under single tier system)	**373,452**	-
- second interim (20.0 sen per share under single tier system)	**497,935**	-
	871,387	857,719

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2017.

No dividend is payable for treasury shares held or cancelled.

35. CAPITAL COMMITMENTS

	Group	
	2017 RM'000	2016 RM'000
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	**49,594**	54,444
- Investment properties	**939**	8,697
	50,533	63,141
Approved but not contracted for		
- Property, plant and equipment	**108,210**	110,305
- Biological assets	**-**	821
	108,210	111,126
	158,743	174,267

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	
	2017 RM'000	2016 RM'000
Within one year	**54,342**	46,546
After one year but not more than five years	**77,919**	67,618
After five years	**27,253**	35,834
	159,514	149,998

36. LEASE COMMITMENTS (CONTINUED)

(a) Operating lease commitments (continued)

(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	
	2017 RM'000	2016 RM'000
Within one year	**25,895**	18,254
After one year but not more than five years	**42,261**	26,502
After five years	**63,017**	42,791
	131,173	87,547

(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:

	2017		2016	
	Minimum payments RM'000	Present value of payments RM'000	Minimum payments RM'000	Present value of payments RM'000
Group				
Within one year	**1,310**	**1,253**	1,729	1,646
After one year but not more than five years	**1,283**	**1,259**	2,165	2,097
Total minimum lease payments	**2,593**	**2,512**	3,894	3,743
Less: amounts representing finance charges	**(81)**	**-**	(151)	-
Present value of minimum lease payments	**2,512**	**2,512**	3,743	3,743
Carrying amount of plant and equipment under finance leases		**4,654**		5,025

37. SEGMENT INFORMATION

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

(i)	Plantation	-	Cultivation of oil palm and processing of fresh fruit bunches
(ii)	Property	-	Property investment and property development
(iii)	Credit financing	-	Provision of financial services
(iv)	Automotive	-	Trading in motor vehicles, spare parts and servicing of motor vehicles
(v)	Fertilizers 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	Fertilizers trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2017									
Revenue									
External revenue	555,072	922,940	158,052	1,149,666	980,854	1,522,149	-	-	5,288,733
Inter-segment revenue	-	15,461	40,673	3,746	37,863	40,846	12,742	(151,331)	-
Total revenue	555,072	938,401	198,725	1,153,412	1,018,717	1,562,995	12,742	(151,331)	5,288,733
Results									
Operating profit	181,544	519,998	166,128	27,310	35,864	164,867	(4,298)	(116,254)	975,159
Finance costs									(146,339)
Other gain items									588,000
Other loss items									(55,448)
Share of results of associates									34,613
Share of results of joint ventures									(597)
Profit before tax									1,395,388
Tax expense									(212,941)
Profit for the year									1,182,447
Non-controlling interests									(78,545)
Profit attributable to owners of the Company									1,103,902

37. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizers trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2017 (continued)								
Assets and liabilities								
Segment assets	1,206,130	4,496,039	2,543,295	736,167	489,746	2,162,303	89,371	11,723,051
Investment in associates								452,231
Investment in joint ventures								9,433
Deferred tax assets								15,247
Tax recoverable								22,966
Total assets								12,222,928
Segment liabilities	25,653	1,305,807	1,462,970	125,858	444,667	1,022,441	1,138,079	5,525,475
Deferred tax liabilities								222,906
Tax payable								58,093
Total liabilities								5,806,474
Other information								
Additions to non-current assets	62,046	266,802	4,155	18,424	1,073	54,246	5,914	412,660
Depreciation and amortisation	34,247	4,731	1,251	8,158	679	92,581	2,174	143,821
Impairment losses	-	-	-	-	-	83,283	7,035	90,318

37. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizers 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	Fertilizers 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)

Additions to non-current assets consist of the following:

	Group	
	2017 RM'000	2016 RM'000
Property, plant and equipment	**153,526**	254,799
Prepaid lease payments	**1,412**	-
Biological assets	**543**	16,544
Investment properties	**82,794**	84,200
Land held for property development	**174,385**	316,245
	412,660	671,788

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	**4,246,082**	4,024,278	**4,312,807**	4,437,339
Other Asian countries	**981,762**	851,087	**475,303**	501,763
Others	**60,889**	16,349	**78**	-
	5,288,733	4,891,714	**4,788,188**	4,939,102

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

	2017 RM'000	2016 RM'000
Property, plant and equipment	**1,777,067**	1,798,774
Prepaid lease payments	**189,638**	201,367
Biological assets	**458,886**	458,585
Investment properties	**1,538,870**	1,675,054
Land held for property development	**786,991**	720,173
Intangible assets	**36,736**	85,149
	4,788,188	4,939,102

38. MATERIAL LITIGATIONS

(a) 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 ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

RESB is claiming for the following in the KK RESB Suit:

(i) That RESB be declared as the registered and beneficial owner of the said Land;
(ii) That the Purported SPA be declared null and void;
(iii) That the Alleged PA be declared null and void;
(iv) An injunction restraining the 1st Defendant from:-
    (a) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
    (b) taking any actions to fulfill the terms and conditions in the Purported SPA; and
    (c) taking any further action to complete the Purported SPA.
(v) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
(vi) Costs of the KK RESB Suit; and
(vii) Such further or other relief as the Court deems fit and just.

Pending disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above ["KK Interlocutory Injunction"].

38. MATERIAL LITIGATIONS (CONTINUED)

(a) (continued)

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017 and 26 to 27 February 2018. The Consolidated RESB Suit has been fixed for continued hearing from 23 to 27 April 2018.

HSP has been advised by Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK RESB Suit.

(b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in the KKHC vide originating summon no. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "KK Suit"].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 ["Alleged Deed of Substitute"] allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

(i) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
(ii) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
(iii) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
(iv) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC's rights thereon;
(v) costs of the KK Suit; and
(vi) such further or other relief as the Court deems fit and just.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"].

The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017 and 26 to 27 February 2018. The Consolidated RESB Suit has been fixed for continued hearing from 23 to 27 April 2018.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

38. MATERIAL LITIGATIONS (CONTINUED)

(c) Pelipikan Plantation Sdn Bhd ["PPSB"], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"] is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah ["Pelipikan Sub-Leased Lands"].

A writ of summon was filed on 7 August 2014 in the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"] vide suit no. BKI-22NCvC66/8-2014 ["First Suit"] by 94 natives of Sabah ["First Suit Plaintiffs"] claiming interest and ownership, legal and beneficial, in respect of 113 titles which form part of the Pelipikan Sub-Leased Lands ["First Suit Disputed Titles"] against one Hatija Binti Hassan as the first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant. Pursuant to a consent order ["said Consent Order"] recorded before the KKHC on 15 May 2015, the First Suit was struck off with no order as to costs.

PPSB was informed by its solicitors, Messrs Shim Pang & Co. on 20 April 2017 that it has been served with a writ of summon filed in KKHC vide suit no. BKI-22NCvC51/4-2017 ["Second Suit"] by 70 natives of Sabah, who form part of the First Suit Plaintiffs ["said Plaintiffs"] claiming legal and beneficial ownership in respect of 86 titles, which form part of the First Suit Disputed Titles ["said 86 Titles"]. The said Plaintiffs named one Sugumar Balakrishnan as the first defendant, Sugumar & Co (Firm) as the second defendant, Hatija Binti Hassan as the third defendant, Juniah @ Rubiah Bt. Okk Zainal as the fourth defendant and PPSB as the fifth defendant. The first and second defendants were the solicitors acting for the First Suit Plaintiffs in the First Suit.

In the Second Suit, the said Plaintiffs alleged, inter alia that the said Consent Order was fraudulently obtained by their previous solicitors, i.e. the first and second defendants without the informed consent and/or instruction of the First Suit Plaintiffs.

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

(i) a declaration that the said Consent Order was null and void and of no effect;
(ii) a declaration that all acts, actions, proceedings including land enquiry proceedings, decisions, dealings and/or transactions with the said 86 Titles and any consequential matters relying on or consequential to the said Consent Order are invalid, null and void;
(iii) an order that the said Consent Order be set aside;
(iv) an order that the First Suit shall continue and proceed to trial;
(v) in the alternative, damages against the first and second defendant in the Second Suit jointly and severally to be assessed;
(vi) costs to the said Plaintiffs; and
(vii) such further or other relief as the KKHC deems fit and just.

HSP has been advised by its solicitors that the Second 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.

(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

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				
2017				
Assets measured at fair value				
Investment properties (Note 7)	**1,538,870**	**-**	**-**	**1,538,870**
Held for trading equity instruments (Note 14)	**1,779**	**1,779**	**-**	**-**
Money market deposits (Note 17)	**90,990**	**-**	**90,990**	**-**
Derivative financial assets (Note 14)				
Forward currency contracts	**23**	**-**	**23**	**-**
Cross currency interest rate swaps	**34,430**	**-**	**34,430**	**-**
Derivative financial liabilities (Note 14)				
Forward currency contracts	**(11,914)**	**-**	**(11,914)**	**-**
Cross currency interest rate swaps	**(32,975)**	**-**	**(32,975)**	**-**
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)	-

The Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period. There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

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.

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed rate instruments				
Financial assets				
Amount due from subsidiaries	**-**	-	**95,318**	400,123
Lease receivables	**3,576**	6,430	**-**	-
Hire purchase receivables	**1,024,733**	827,110	**-**	-
Deposits with licensed banks	**293,844**	325,264	**184,160**	203,173
	1,322,153	1,158,804	**279,478**	603,296
Financial liabilities				
Sundry payables	**(72,529)**	(121,484)	**-**	-
Amount due to a subsidiary	**-**	-	**(527,380)**	-
Term loans	**(228,083)**	(255,137)	**-**	-
Finance leases	**(2,512)**	(3,743)	**-**	-
	(303,124)	(380,364)	**(527,380)**	-
	1,019,029	778,440	**(247,902)**	603,296

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate instruments				
Financial assets				
Loan receivables	**1,371,977**	900,332	**-**	-
Financial liabilities				
Term loans	**(2,218,597)**	(2,520,036)	**-**	-
Revolving credits	**(1,731,332)**	(1,434,812)	**-**	-
Trust receipts	**(72,938)**	(73,627)	**-**	-
Bankers' acceptances	**(225,413)**	(137,647)	**-**	-
Bank overdrafts	**-**	(245)	**-**	-
	(4,248,280)	(4,166,367)	**-**	-
	(2,876,303)	(3,266,035)	**-**	-

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2017 for the Group and the Company were 1.43% (2016: 1.48%) and 0.44% (2016: 0.44%) respectively and will mature within 3 months (2016: 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
2017		
Floating rate instruments	**(10,483)**	**10,483**
2016		
Floating rate instruments	(11,005)	11,005

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 joint ventures. The Group uses forward currency contracts and cross currency interest rate swaps to limit its exposure on foreign currency receivables, payables and borrowings, and on cash flows generated from anticipated transactions denominated in foreign currencies.

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

	Net unhedged financial assets/(liabilities) held in non-functional currencies							
	USD RM'000	**SGD RM'000**	**VND RM'000**	**Euro RM'000**	**AUD RM'000**	**BND RM'000**	**RMB RM'000**	**Total RM'000**
Group								
Functional currency of Group entities								
2017								
RM	**27,699**	**194,992**	**-**	**(5,565)**	**-**	**-**	**(9,362)**	**207,764**
Indonesian Rupiah ["IDR"]	**(5,436)**	**-**	**-**	**11**	**-**	**-**	**-**	**(5,425)**
SGD	**(38,091)**	**-**	**1,849**	**(27,517)**	**-**	**-**	**-**	**(63,759)**
RMB	**2,862**	**-**	**-**	**-**	**-**	**-**	**-**	**2,862**
	(12,966)	**194,992**	**1,849**	**(33,071)**	**-**	**-**	**(9,362)**	**141,442**
2016								
RM	39,843	211,264	-	(1,946)	342	512	-	250,015
IDR	6,806	-	-	-	-	-	-	6,806
SGD	(32,401)	-	1,337	(22,209)	-	-	-	(53,273)
RMB	2,625	-	-	-	-	-	-	2,625
	16,873	211,264	1,337	(24,155)	342	512	-	206,173

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Company that are not denominated in the functional currency of the Company are as follows:

	Net unhedged financial assets held in non-functional currencies		
	SGD RM'000	**AUD RM'000**	**Total RM'000**
Company			
Functional currency of the Company			
2017			
RM	**184,160**	**95,318**	**279,478**
2016			
RM	202,413	-	202,413

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
USD	**(625)**	522	**-**	-
SGD	**7,410**	8,028	**6,998**	7,692
VND	**77**	55	**-**	-
Euro	**(1,353)**	(996)	**-**	-
AUD	**-**	13	**3,622**	-
BND	**-**	19	**-**	-
RMB	**(389)**	-	**-**	-

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						
2017						
Designated as fair value through profit or loss						
Receivables hedge	USD	14,021	-	14,021	23	-
Borrowings hedge	USD/Euro	58,903	-	58,903	-	(695)
Firm commitment hedge	USD	29,112	-	29,112	-	(101)
		102,036	-	102,036	23	(796)
Designated as fair value hedges						
Firm commitment hedge	USD	181,006	-	181,006	-	(4,289)
Payables hedge	USD	61,656	-	61,656	-	(2,164)
		242,662	-	242,662	-	(6,453)
Designated as cash flow hedges						
Borrowings hedge	SGD	250,000	-	250,000	30,884	-
Borrowings hedge	USD	657,204	646,400	1,303,604	3,546	(37,640)
		907,204	646,400	1,553,604	34,430	(37,640)
		1,251,902	646,400	1,898,302	34,453	(44,889)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities (continued)

	Currency	Within 1 year RM'000	1 – 5 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group (continued)						
2016						
Designated as fair value through profit or loss						
Borrowings hedge	USD/Euro	48,740	-	48,740	906	-
Payables hedge	USD	2,517	-	2,517	12	-
		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						
Borrowings hedge	SGD	-	250,000	250,000	37,070	-
Borrowings hedge	USD	580,313	730,560	1,310,873	125,127	(1,201)
		580,313	980,560	1,560,873	162,197	(1,201)
		748,090	980,560	1,728,650	165,544	(1,201)

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							
2017							
Non-derivative financial liabilities							
Borrowings							
Term loans	2,446,680	2.00 – 5.25	2,693,674	951,719	472,900	1,017,178	251,877
Finance lease	2,512	1.10 – 5.20	2,593	1,310	1,283	-	-
Revolving credits	1,731,332	2.62 – 8.17	1,747,674	1,747,674	-	-	-
Bankers' acceptances	225,413	3.86 – 4.13	225,413	225,413	-	-	-
Trust receipts	72,938	2.10 – 2.62	74,521	74,521	-	-	-
Trade and other payables	911,851	-	911,851	910,324	100	182	1,245
Amount due to an other related party	72,529	4.00	75,430	75,430	-	-	-
	5,463,255		5,731,156	3,986,391	474,283	1,017,360	253,122
Derivative financial liabilities							
Designated as hedging instruments							
- Cash flow hedges	37,640	-	37,640	30,470	-	7,170	-
- Fair value hedges	6,453	-	6,453	6,453	-	-	-
Not designated as hedging instruments							
- Forward currency contracts	796	-	796	796	-	-	-
	44,889		44,889	37,719	-	7,170	-
	5,508,144		5,776,045	4,024,110	474,283	1,024,530	253,122

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 (continued)							
2016							
Non-derivative financial liabilities							
Borrowings							
Term loans	2,775,173	2.09 – 5.30	3,051,022	965,928	881,999	908,590	294,505
Finance lease	3,743	1.10 – 3.20	3,894	1,729	2,165	-	-
Revolving credits	1,434,812	2.64 – 4.52	1,449,431	1,449,431	-	-	-
Bankers' acceptances	137,647	3.63 – 4.15	137,647	137,647	-	-	-
Trust receipts	73,627	1.92 – 2.23	75,264	75,264	-	-	-
Bank overdrafts	245	7.40	245	245	-	-	-
Trade and other payables	746,896	-	746,896	746,063	552	281	-
Amount due to an other related party	121,484	4.00	126,343	126,343	-	-	-
	5,293,627		5,590,742	3,502,650	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		5,591,943	3,503,851	884,716	908,871	294,505

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				
2017				
Non-derivative financial liabilities				
Trade and other payables	**4,371**	**-**	**4,371**	**4,371**
Amount due to a subsidiary	**527,380**	**4.56**	**551,429**	**551,429**
	531,751		**555,800**	**555,800**
2016				
Non-derivative financial liabilities				
Trade and other payables	3,268	-	3,268	3,268

(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 RM4,038,629,000 (2016: RM3,979,389,000) 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

The financial guarantees have not been recognised as their fair values on initial recognition are insignificant.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted equity instruments and placement in money market deposits. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group 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 RM1,297,000 (2016: RM6,857,000) 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	
	2017	**2016**
	RM'000	**RM'000**
Borrowings (Note 22)	**4,478,875**	4,425,247
Money market deposits (Note 17)	**(90,990)**	(354,736)
Cash and bank balances (Note 18)	**(648,257)**	(684,284)
Net borrowings	**3,739,628**	3,386,227
Equity attributable to owners of the Company	**5,764,316**	5,490,676
Gearing ratio (times)	**0.78**	0.81
Net gearing ratio (times)	**0.65**	0.62

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.

		Group		Company	
Related parties	**Transactions**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Directors of the Company:					
Dato' Jorgen Bornhoft	Sale of motor vehicle	**457**	221	**-**	-
Datuk Edward Lee Ming Foo, JP	Rental expenses	**(106)**	(103)	**-**	-
	Sale of motor vehicle	**-**	228	**-**	-
Datuk Simon Shim Kong Yip, JP	Sale of property under development	**80**	321	**-**	-
	Rental expenses	**-**	(35)	**-**	-
	Sale of motor vehicle	**-**	223	**-**	-
Directors of subsidiaries:					
Harald Uwe Behrend	Sale of motor vehicle	**118**	-	**-**	-
Chan Yee Hing	Sale of motor vehicle	**290**	-	**-**	-
Au Siew Loon	Sale of property under development	**18**	-	**-**	-
	Sale of motor vehicle	**222**	-	**-**	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Corporated International Consultants	Project consultancy fee payable	**(5,492)**	(5,579)	**-**	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim Pang & Co	Legal Fees	**(335)**	(954)	**-**	(450)
	Servicing of motor vehicles	**2**	2	**-**	-

42. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company^	Advisory fees	**(3,585)**	(3,255)	**(3,585)**	(3,255)
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	**(200)**	(500)	**(200)**	(500)
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Samling Strategic Corporation Sdn Bhd Group	Sale of products	**24,710**	26,398	**-**	-

^ *Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is a major shareholder of the Company by virtue of his substantial shareholding in Gek Poh (Holdings) Sdn Bhd, the holding company of the Company.*

An organisation principally involved in charitable activities.

42. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Lei Shing Hong Limited Group	Disposal of 100% equity interest in subsidiaries	**750,000**	750,000	**750,000**	-
	Sale of products	**30,909**	38,333	**-**	-
	Management fees	**1,776**	1,776	**-**	-
	Sale of used motor vehicles	**1,202**	293	**-**	-
	Sale of property stocks	**-**	122,224	**-**	-
	Administration fees	**123**	123	**-**	-
	Rental income	**3,915**	8,578	**-**	-
	Utilities and maintenance charges	**6**	3	**-**	-
	Purchase of products	**(17,079)**	(60,691)	**(12)**	-
	Rental expenses	**(7,001)**	(5,580)	**-**	-
	Administrative charges	**(218)**	(123)	**-**	-
	Interest income	**-**	423	**-**	423
	Interest expense	**(5,549)**	(1,298)	**-**	-
	Acquisition of subsidiary	**-**	(13,781)	**-**	(13,781)
	Disposal of lands	**266,276**	115,030	**-**	-
	Disposal of land and building	**97,500**	-	**-**	-
	Utility charges	**(42)**	-	**-**	-
	Commission charges	**42**	-	**-**	-
	Transportation charges	**(22,729)**	-	**-**	-
	Rental of commercial vehicles	**(2,116)**	-	**-**	-
	Rental of motor vehicles	**(44)**	-	**-**	-

42. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	**(289)**	(204)	**-**	-
Company in which Eugene Lee Chin Jin, a director of a subsidiary, has interest:					
Noble One Rhythm Sdn Bhd	Construction of property sales gallery	**(760)**	-	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Management fees	**-**	150	**-**	-
	Rental income	**179**	518	**-**	-
	Sale of products	**156**	1,178	**-**	-
	Purchase of products	**-**	(9,354)	**-**	-
	Insurance premium*	**(16,250)**	(12,955)	**(48)**	(121)
	Utilities and maintenance charges	**11**	212	**-**	-
	Servicing of motor vehicles	**-**	46	**-**	-
	Handling charges	**(891)**	(602)	**-**	-
	Handling fees	**1,384**	1,200	**-**	-
	Car usage	**-**	(19)	**-**	-
	Rental expense	**-**	(3)	**-**	-
	Acquisition of subsidiary	**-**	(380,000)	**-**	(380,000)
Associates	Management fees	**-**	168	**-**	168
	Rental income	**7**	10	**7**	10
	Sale of products	**370**	897	**-**	-
	Interest income	**140**	152	**-**	-
	Dividend income	**-**	-	**62,482**	3,299

* *This relates to insurance premiums paid/payable via a related company acting as an insurance agent.*

42. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Joint ventures	Sale of products	**1,564**	1,601	**-**	-
	Rental income	**2,101**	2,420	**-**	-
	Receiving of services	**(4,285)**	(6,605)	**-**	-
Subsidiaries	Servicing of motor vehicles	**-**	-	**(84)**	(107)
	Rental expenses	**-**	-	**(18)**	(19)
	Management fees	**-**	-	**(232)**	(201)
	Car usage	**-**	-	**(1,032)**	(696)
	Purchase of products	**-**	-	**(7)**	(1,250)
	Interest expense	**-**	-	**(855)**	(3,833)
	Interest income	**-**	-	**21,045**	4,789
	Dividend income	**-**	-	**363,144**	875,735

Compensation to key management personnel is as disclosed in Note 31.

(b) Balances with related parties

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Amount due from/(to)				
Corporated International Consultants	**(476)**	(771)	**-**	-
Shim Pang & Co	**(20)**	(12)	**-**	-
Lingui Developments Berhad Group	**-**	588	**-**	-
Samling Strategic Corporation Sdn Bhd Group	**6,842**	7,974	**-**	-
Lei Shing Hong Limited Group	**(3,991)**	(36,683)	**-**	-
Imaspro Resources Sdn Bhd	**(45)**	(86)	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	**272**	661	**-**	-
Directors of the Company	**(5)**	91	**-**	-
Associates	**6**	4,051	**-**	-
Joint venture	**689**	(515)	**-**	-
Subsidiaries	**-**	-	**(28)**	(103)

The above balances arose from recurrent related party transactions of revenue or trading nature.

43. SIGNIFICANT EVENTS DURING THE YEAR

(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.

(b) On 7 March 2017, the Company entered into a conditional shares sale agreement with LSH Logistics Limited ["LSHL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which the Company agreed to dispose 100% equity interest in Hap Seng Logistics Sdn Bhd ["HSL"] comprising 250,000,000 ordinary shares for a cash consideration of RM750 million ["HSL Disposal"].

The HSL Disposal 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"] is deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and is a 56.00% major shareholder and director of Gek Poh. Gek Poh's aggregate shareholdings in the Company is 61.43%, comprising 54.63% direct shareholding and 6.80% 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 the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI are deemed interested in the HSL Disposal.

Datuk Edward Lee Ming Foo is the managing director of both the Company and Gek Poh. Mr Lee Wee Yong is an executive director of the Company and a director of Gek Poh. As at the date hereof, Gek Poh holds 12.42% equity interest in LSH and hence, a major shareholder of LSH. Premised on the said common directorship, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are deemed interested in the HSL Disposal.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company and a non-executive director of LSH. Mr Ch'ng Kok Phan is a non-independent non-executive director of the Company and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr Ch'ng Kok Phan's common directorship in the Company and LSH, they are interested in the HSL Disposal.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(b) (continued)

The interested or deemed interested directors and shareholders have abstained from voting and that they shall ensure persons connected to them are to abstain from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the HSL Disposal during the extraordinary general meeting of the Company held on 31 May 2017 ["EGM"].

The HSL Disposal was approved by the shareholders during the EGM and completed on 1 June 2017. The HSL Disposal resulted in a gain of approximately RM496.84 million to the Group.

(c) On 29 June 2017, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Sunpoint Resources Sdn Bhd ["Sunpoint"] comprising 1 ordinary share at a cash consideration of RM1. Sunpoint is a private limited company incorporated in Malaysia and is principally involved in property development.

(d) On 3 July 2017, Hafary Holdings Limited ["Hafary"] allotted and issued 1,550,000 shares pursuant to the vesting of share awards under the Hafary performance share plan, thereby decreasing *Hap Seng Investment Holdings Pte Ltd's shareholding in Hafary, a company listed in main market of Singapore Exchange Securities Trading Limited from 51% to 50.82%.

(e) On 1 August 2017, the Company acquired the entire issued share capital of Sunrise Addition Sdn Bhd ["Sunrise"] comprising 1 ordinary share at a cash consideration of RM1. Sunrise is a private limited company incorporated in Malaysia and is principally involved in investment holding.

(f) On 4 August 2017, *Sunrise Addition Sdn Bhd acquired the entire issued share capital of Super8 Capital Sdn Bhd ["Super8"] comprising 1 ordinary share at a cash consideration of RM1. Super8 is a private limited company incorporated in Malaysia and is currently dormant.

(g) On 14 August 2017, *Hap Seng Commercial Development Sdn Bhd ["HSCD"], the registered and/or beneficial owner of all those 48 contiguous parcels of vacant leasehold land measuring approximately 438,221.72 square feet situated at Mile 1, Jalan Kuhara, Tawau, Sabah ["Jalan Kuhara Lands"] entered into a sale and purchase agreement ["HSCD SPA"] to dispose the Jalan Kuhara Lands to Zillion Sunrise Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd ["Akal Megah"] which in turn is wholly-owned by Lei Shing Hong Limited ["LSH"], for a total cash consideration of RM175,276,000 ["HSCD Disposal"].

HSCD Disposal 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 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"], which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the HSCD Disposal.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(g) (continued)

Datuk Edward Lee Ming Foo is the managing director of both the Company and Gek Poh. Mr Lee Wee Yong is an executive director of the Company and a director of Gek Poh. As at the date hereof, Gek Poh holds 12.42% equity interest in LSH and hence, a major shareholder of LSH. Premised on the said common directorship, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are deemed interested in the HSCD Disposal.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company and a non-executive director of LSH. Mr Ch'ng Kok Phan is a non-independent non-executive director of the Company and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr Ch'ng Kok Phan's common directorship in the Company and LSH, they are interested in the HSCD Disposal.

The HSCD SPA was completed on 18 August 2017 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM111.93 million to the Group.

(h) On 16 August 2017, the Company incorporated a wholly-owned subsidiary in Labuan, HSC International Limited ["HSCI"]. HSCI has an issued share capital of USD1 comprising 1 ordinary share and is principally involved in investment holding. On 18 August 2017, HSCI incorporated 3 wholly-owned subsidiaries in Labuan namely, HSC Sydney Holding Limited ["HSC Sydney"], HSC Manchester Holding Limited *(formerly known as HSC Melbourne Holding Limited)* ["HSC Manchester"] and HSC Birmingham Holding Limited *(formerly known as HSC Brisbane Holding Limited)* ["HSC Birmingham"]. All HSC Sydney, HSC Manchester and HSC Birmingham have an issued share capital of USD1 comprising 1 ordinary share each and are principally involved in investment holding.

(i) On 23 August 2017, Hafary Pte Ltd, the wholly-owned subsidiary of Hafary Holdings Limited which is in turn a 50.82% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd incorporated a wholly-owned subsidiary in Singapore namely, Hafary Building Materials Pte Ltd ["Hafary BM"]. Hafary BM has an issued and paid-up share capital of SGD100 comprising 100 shares and is principally involved in investment holding.

(j) On 25 August 2017, *Hap Seng Auto Sdn Bhd acquired the entire issued share capital of Hap Seng CarFleet Sdn Bhd *(formerly known as Sunlink Resources Sdn Bhd)* ["HS CarFleet"] comprising 1 ordinary share at a cash consideration of RM1. HS CarFleet is a private limited company incorporated in Malaysia and is currently dormant.

(k) On 28 August 2017, *HSC Manchester Holding Limited *(formerly known as HSC Melbourne Holding Limited)* incorporated a wholly-owned subsidiary in Australia namely, HSC Melbourne Pty Ltd ["HMPL"]. HMPL has an issued and paid-up share capital of AUD100 comprising 100 ordinary shares and is currently dormant.

(l) On 28 August 2017, *HSC Birmingham Holding Limited *(formerly known as HSC Brisbane Holding Limited)* incorporated a wholly-owned subsidiary in Australia namely, HSC Brisbane Pty Ltd ["HBPL"]. HBPL has an issued and paid-up share capital of AUD100 comprising 100 ordinary shares and is currently dormant.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(m) On 13 October 2017, *Hap Seng Land Sdn Bhd acquired the entire issued share capital of Fresh Green Planet Sdn Bhd ["Fresh Green"] comprising 1 ordinary share at a cash consideration of RM1. Fresh Green is a private limited company incorporated in Malaysia and is principally involved in the provision of management services.

(n) As part of the Group's re-organisation, the Company had on 16 October 2017 completed the transfer of 1,000,000 ordinary shares representing the entire issued share capital of *Hap Seng Automotive Acceptance Sdn Bhd ["HSAA"] to *Sunrise Addition Sdn Bhd for a cash consideration of RM1,804,145. HSAA is a private limited company incorporated in Malaysia and is principally involved in the provision of financial services.

(o) On 23 October 2017, *Malaysian Mosaics Sdn Bhd ["MMSB"], the registered and beneficial owner of all that parcel of 60-year leasehold land which lease is due to expire on 3 April 2060 (with an unexpired term of 43 years) with a provisional titled land area of approximately 12.1406 hectares and actual surveyed area of 12.06 hectares held under H.S.(D) 43799, Lot No. PTD 53638 (New Lot No. 44876), Mukim and District of Kluang, State of Johor Darul Ta'zim [the "Kluang Land"] entered into a sale and purchase agreement ["MMSB SPA"] to dispose of the Kluang Land together with various buildings for the production and manufacturing of floor and wall tiles [the "MMSB Buildings"] erected thereon [the "Kluang Land" and the "MMSB Buildings" are collectively referred to as the "said Property"] to Byorion Sdn Bhd ["Byorion"], a wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by Lei Shing Hong Limited ["LSH"], for a cash consideration of RM97.5 million ["MMSB Disposal"].

Simultaneous with the execution of MMSB SPA, MMSB entered into a lease agreement with Byorion whereby MMSB as the lessee shall lease back from Byorion as the lessor, the said Property for an initial period of 10 years ["Initial Period"] at a monthly rental of RM337,949 with an option to renew for a further term of 10 years subject to the terms contained therein which Initial Period shall commence upon completion of the MMSB SPA ["Leaseback"].

The MMSB Disposal 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 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"], which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the MMSB Disposal and Leaseback.

Datuk Edward Lee Ming Foo is the managing director of both the Company and Gek Poh. Mr Lee Wee Yong is an executive director of the Company and a director of Gek Poh. As at the date hereof, Gek Poh holds 12.42% equity interest in LSH and hence, a major shareholder of LSH. Premised on the said common directorship, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are deemed interested in the MMSB Disposal and Leaseback.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(o) (continued)

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company and a non-executive director of LSH. Mr Ch'ng Kok Phan is a non-independent non-executive director of the Company and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr Ch'ng Kok Phan's common directorship in the Company and LSH, they are interested in the MMSB Disposal and Leaseback.

The MMSB SPA was completed on 25 October 2017 with the full purchase consideration paid by the purchaser and accordingly, the Leaseback has become effective on the same day. The MMSB Disposal resulted in a net gain of approximately RM60.33 million to MMSB and RM26.29 million to the Group.

(p) On 26 October 2017, *Hap Seng Auto Sdn Bhd acquired the entire issued share capital of Hap Seng Trucks Distribution Sdn Bhd *(formerly known as Sungreen Synergy Sdn Bhd)* ["HS Trucks"] comprising 1 ordinary share at a cash consideration of RM1. HS Trucks is a private limited company incorporated in Malaysia and is currently dormant.

(q) On 1 November 2017, *HSC International Limited incorporated 2 wholly-owned subsidiaries in Singapore namely, HSC Melbourne Holding Pte Ltd ["HMH"] and HSC Brisbane Holding Pte Ltd ["HBH"]. Both HMH and HBH have an issued and paid-up share capital of SGD1 comprising 1 ordinary share each and are principally involved in investment holding.

(r) On 2 November 2017, *HSC Melbourne Holding Pte Ltd incorporated a wholly-owned subsidiary in Australia namely, HS Credit (Melbourne) Pty Ltd ["HCMPL"]. HCMPL has an issued and paid-up share capital of AUD100 comprising 100 ordinary shares and is currently dormant.

(s) On 2 November 2017, *HSC Brisbane Holding Pte Ltd incorporated a wholly-owned subsidiary in Australia namely, HS Credit (Brisbane) Pty Ltd ["HCBPL"]. HCBPL has an issued and paid-up share capital of AUD100 comprising 100 ordinary shares and is currently dormant.

(t) As part of the Group's re-organisation, the Company had on 24 November 2017 transferred 80,000,000 ordinary shares representing the entire issued share capital of *HS Credit (Sydney) Pty Ltd *(formerly known as Hap Seng Credit (Australia) Pty Ltd)* ["HCSPL"] to *HSC Sydney Holding Limited for a cash consideration of AUD80,000,000. HCSPL is a private limited company incorporated in Australia and is principally involved in the provision of financial services.

(u) On 30 November 2017, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Sunhill Ventures Sdn Bhd ["Sunhill"] comprising 1 ordinary share at a cash consideration of RM1. Sunhill is a private limited company incorporated in Malaysia and is currently dormant.

* *These are the Company's wholly-owned subsidiaries.*

44. SUBSEQUENT EVENTS

(a) On 21 February 2018, Hap Seng Plantations Holdings Berhad ["HSP"], a 53.04% owned subsidiary of the Company entered into the following agreements in connection with the proposed acquisition of 1,280,194,500 ordinary shares in Kretam Holdings Berhad ["KHB"] ["KHB Shares"], representing approximately 55% equity interest in KHB for a cash consideration of RM1,177,778,940 or RM0.92 per KHB Share ["Proposed Acquisition"]:

(i) conditional share sale agreement with Datuk Lim Nyuk Sang @ Freddie Lim for the purchase of 779,336,900 KHB Shares, representing approximately 33.50% equity interest in KHB, for a cash consideration of RM716,989,948 or RM0.92 per KHB Share ["SSA 1"]; and

(ii) conditional share sale agreement with Santraprise Sdn Bhd for the purchase of 500,857,600 KHB Shares, representing approximately 21.50% equity interest in KHB, for a cash consideration of RM460,788,992 or RM0.92 per KHB Share ["SSA 2"].

(SSA 1 and SSA 2 are collectively referred to as "SSAs").

Upon completion of the Proposed Acquisition, HSP's shareholding in KHB will increase from nil% to approximately 55.00%. Accordingly, pursuant to Section 218(2) of the Capital Markets & Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ["Rules"], HSP would be obliged to extend the proposed mandatory general offer ["MGO"] for all the remaining KHB Shares not already owned by HSP and persons acting in concert with it, if any, after the Proposed Acquisition for a cash consideration of RM0.92 per KHB Share ["Proposed MGO"]. Upon the SSAs becoming unconditional, HSP will serve the notice of MGO on the Board of Directors of KHB, in accordance with Paragraph 9.10 of the Rules.

The Proposed Acquisition and Proposed MGO are subject to the terms and conditions of the SSAs and the following approvals being obtained:

(i) approval of the shareholders of HSP at an extraordinary general meeting to be convened; and

(ii) any other relevant authorities or parties, if required.

The Proposed Acquisition is conditional upon, amongst others, the approval of the shareholders of HSP to undertake the Proposed MGO. However, the Proposed MGO is conditional upon the SSAs becoming unconditional.

(b) On 28 February 2018, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Positive Tropical Sdn Bhd ["Positive Tropical"] comprising 1 ordinary share at a cash consideration of RM1. Positive Tropical is a private limited company incorporated in Malaysia and is currently dormant.

(c) On 2 March 2018, *HSC International Limited ["HSCI"] entered into a conditional shares sale agreement with Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which HSCI had agreed to dispose 100% equity interest in HSC Sydney Holding Limited ["HSH"] comprising 60,495,001 ordinary shares for a cash consideration of USD196.50 million equivalent to RM771.16 million based on the prevailing exchange rate of USD1.00:RM3.9245 ["HSH Proposed Disposal"].

44. SUBSEQUENT EVENTS (CONTINUED)

(c) (continued)

On even date, the Company entered into a conditional shares sale agreement with LSHCL, pursuant to which the Company had agreed to dispose 20% equity interest in *Hap Seng Credit Sdn Bhd ["HSCSB"], comprising 266,000,000 ordinary shares for a cash consideration of RM906 million ["HSCSB Proposed Disposal"].

[The HSH Proposed Disposal and the HSCSB Proposed Disposal are collectively referred to as the "Proposals"].

The Proposals are deemed related party transactions. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and a 56.00% major shareholder and director of Gek Poh. Gek Poh's aggregate shareholdings in the Company are 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of LSHCL which in turn is the wholly-owned subsidiary of LSH, is a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI are deemed interested in the Proposals.

Datuk Edward Lee Ming Foo is the managing director of both the Company and Gek Poh. Mr Lee Wee Yong is an executive director of the Company and a director of Gek Poh. As at the date hereof, Gek Poh holds 12.42% equity interest in LSH and hence, a major shareholder of LSH. Premised on the said common directorship, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are deemed interested in the Proposals.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company and a non-executive director of LSH. Mr Ch'ng Kok Phan is a non-independent non-executive director of the Company and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr Ch'ng Kok Phan's common directorship in the Company and LSH, they are interested in the Proposals.

The interested or deemed interested directors and shareholders have abstained from voting and that they shall ensure persons connected to them are to abstain from voting in respect of their direct and/or indirect shareholdings on the resolutions in relation to the Proposals during the extraordinary general meeting of the Company to be convened.

(d) On 5 March 2018, *HSC Manchester Holding Limited *(formerly known as HSC Melbourne Holding Limited)* incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Manchester) Ltd ["HCML"]. HCML has an issued and paid-up share capital of GBP1 comprising of 1 ordinary share and is currently dormant.

(e) On 5 March 2018, *HSC Birmingham Holding Limited *(formerly known as HSC Brisbane Holding Limited)* incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Birmingham) Ltd ["HCBL"]. HCBL has an issued and paid-up share capital of GBP1 comprising of 1 ordinary share and is currently dormant.

* *These are the Company's wholly-owned subsidiaries.*

ADDITIONAL INFORMATION

The following additional information are provided in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) On 28 December 2016, Hap Seng Star Sdn Bhd, a wholly-owned subsidiary of the Company exercised the put option to sell its remaining 49% equity interest in Hap Seng Commercial Vehicle Sdn Bhd for a cash consideration of RM367.5 million which has been received on 3 January 2017 and was fully utilised during the financial year ended 31 December 2017 as follows:

		RM'000
(i)	Loan disbursements of credit financing division	110,250
(ii)	Purchase of inventories, such as fertilisers, automobiles and building materials which include steel bars, wire mesh and cement	91,875
(iii)	Properties development costs such as construction costs and consultancy fees	110,250
(iv)	Payment of trade and other payables	55,125
		367,500

(b) On 1 June 2017, Hap Seng Consolidated Berhad completed the disposal of its 100% equity interest in Hap Seng Logistics Sdn Bhd ["HSL"] comprising 250,000,000 ordinary shares to LSH Logistics Limited, a wholly-owned subsidiary of Lei Shing Hong Limited for a cash consideration of RM750 million ["HSL Disposal"].

The proceeds from the HSL Disposal was fully utilised during the financial year ended 31 December 2017 as follows:

			Proposed Utilisation RM'000	**Utilisation RM'000**	**Balance Utilisation RM'000**
(a)	Repayment of borrowings		200,000	200,000	-
(b)	Working capital requirements:				
	(i)	Purchase of inventories involved purchase of fertilisers, automobiles, spare parts and inventories for building materials such as steel bars and cement	163,745	155,999	*
	(ii)	Loan disbursements of credit financing division comprising manufacturing, transportation and real estate	120,000	120,000	-
	(iii)	Property development to part finance the acquisition cost of the mixed-development at Metropolis Plot 5A	190,000	191,812	**
(c)	Repayment of amount owing to HSL		75,255	81,500	**
(d)	Payment of fees and expenses for HSL Disposal		1,000	689	**
			750,000	**750,000**	**-**

** *The net overspent has been covered by the under utilisation of the amount set aside for working capital requirement of item (b)(i) **

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 2017 was RM807,000 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(a), (b), (g) & (o) and Note 44(c) to the Financial Statements.

Other than those disclosed in Note 43(a), (b), (g) & (o) and Note 44(c), 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 2017, and/or entered into since 31 December 2016.

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 2017 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 30 May 2018.

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 31/12/2017 RM'000
MALAYSIA							
KUALA LUMPUR							
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	-	4	379,134
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	-	45	279,170
Lot 234, Seksyen 63, Jalan Kia Peng, Kuala Lumpur	3,796 m^2	Land held for development	August 2015	Freehold	-	-	140,204
SELANGOR							
PT 8417, Pekan Kinrara, District of Petaling, Selangor	30,255 m^2	2-storey Mercedes-Benz 3S centre and two adjoining blocks of 5 and 6 storey building for rental known as Wisma Hap Seng and Wisma Mercedes-Benz respectively	August 2005/ November 2008	Freehold	-	2 - 11	215,953
Shalimar Estate Mukim Pasangan, District of Kuala Selangor	297.38 ha	Oil palm plantation and buildings/ Land held for development	December 2016	Freehold	-	1 - 42	125,367
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	3	344,175

Location	Area	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2017 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 - 49	381,281
Tabin Estate	3,055 ha	Oil palm plantation and buildings	November 1978/ March 2016	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	2 - 32	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	November 1978	Leasehold 99 years	2067/2076	1 - 41	
Litang Estate	1,571 ha	Oil palm plantation and buildings	November 1978	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	1 - 32	
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings Plantation Central Office and Clubhouse	December 1990	Leasehold 99 years	2089	1 - 22	
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	2 - 22	

Location	Area	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2017 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU (Continued)							
Batangan Estate	3,633 ha	Oil palm plantation and buildings	July 1996	Leasehold 99 years	2078	2 - 35	
Lutong Estate	2,448 ha	Oil palm plantation and buildings	July 1996/ July 2003	Leasehold 99 years	2078/2098/ 2099	2 - 26	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	July 1996	Leasehold 99 years	2078	2 - 21	280,026
Kapis Estate	2,681 ha	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	July 1996	Leasehold 99 years	2078	1 - 31	
Lungmanis Estate	2,200 ha	Oil palm plantation and buildings	July 1996	Leasehold 99 years	2078	2 - 20	
SINGAPORE							
18, Sungei Kadut Street 2, Singapore, 729236	9,920 m^2	7-storey industrial building	February 2015	Leasehold 34 years	2043	2	170,640
105, Eunos, Avenue 3, Hafary Centre, Singapore, 409836	4,978 m^2	6-storey light industrial building	February 2015	Leasehold 60 years	2039	5	123,729

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2013	2014	2015	2016	2017
CROP PRODUCTION - TONNES					
FFB	704,241	727,937	709,984	662,774	**655,957**
PROCESSED - TONNES					
FFB - own	662,452	680,741	667,504	643,731	**640,507**
FFB - purchased	116,490	121,673	107,829	91,707	**85,006**
Palm Oil	166,202	172,980	170,546	154,682	**150,695**
Palm Kernel	36,554	38,778	38,087	35,872	**35,183**
EXTRACTION RATE - %					
Palm Oil	21.34	21.56	22.00	21.03	**20.77**
Palm Kernel	4.69	4.83	4.91	4.88	**4.85**
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,525	4,089	5,599	5,626	**5,615**
> 7 years to 17 years	10,981	10,122	8,480	7,246	**6,839**
> 17 years onwards	17,164	17,162	18,361	19,502	**19,569**
Total mature area	**30,670**	**31,373**	**32,440**	**32,374**	**32,023**
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	22.96	23.20	21.89	20.47	**20.48**
Oil per mature hectare	4.90	5.00	4.81	4.31	**4.25**
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	470	491	433	521	**536**
Palm Oil	2,343	2,386	2,168	2,643	**2,885**
Palm Kernel	1,288	1,654	1,600	2,564	**2,560**

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2017

	River Estates Group	Jeroco	*HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	19,804	10,731	585	903	32,023
Immature	1,943	1,991	-	-	3,934
Total Oil Palm	21,747	12,722	585	903	35,957
Other crops	60	86	-	-	146
Total planted area	21,807	12,808	585	903	36,103
Reserves	603	312	81	330	1,326
Buildings, roads etc	1,579	997	142	132	2,850
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.*

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total number of issued shares	: 2,489,681,583 (including 6,000 treasury shares)
Class of shares	: ordinary share
Voting rights	: one vote per ordinary share
Number of shareholders	: 8,877

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	419	4.72	7,038	#
100 to 1,000	1,282	14.44	878,955	0.03
1,001 to 10,000	4,318	48.64	20,586,323	0.83
10,001 to 100,000	2,440	27.49	74,066,486	2.97
100,001 to less than 5% of issued shares	414	4.66	459,238,419	18.45
5% & above of issued shares	4	0.05	1,934,898,362	77.72
Total	**8,877**	**100.00**	**2,489,675,583**	**100.00**

* *The number of 2,489,675,583 ordinary shares was arrived at after deducting 6,000 treasury shares held by the Company from its issued shares 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)	520,439,240	20.90
3.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	293,334,000	11.78
4.	Hap Seng Insurance Services Sdn Bhd	154,364,580	6.20
5.	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	100,000,000	4.02
6.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Philip Securities (Hong Kong) Ltd (Clients' Account)	95,153,900	3.82
7.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	22,741,100	0.91
8.	Chinchoo Investment Sdn Berhad	13,578,380	0.55
9.	Gan Teng Siew Realty Sdn Berhad	12,308,600	0.49
10.	Key Development Sdn Berhad	11,008,800	0.44
11.	Mikdavid Sdn Bhd	8,320,600	0.33

		Shareholding	%[3]
12.	H'ng Poh Gin	6,711,200	0.27
13.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	6,529,700	0.26
14.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	6,054,540	0.24
15.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	5,402,889	0.22
16.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	4,417,882	0.18
17.	Rengo Malay Estate Sendirian Berhad	4,032,000	0.16
18.	Bidor Tahan Estates Sdn Bhd	3,780,000	0.15
19.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	3,112,500	0.13
20.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government of Singapore (C)	3,052,300	0.12
21.	Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance (Pensions Management) Limited	2,447,500	0.10
22.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Regular Savings Fund	2,421,200	0.10
23.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Jew Fook (E-PDG)	2,288,000	0.09
24.	Gemas Bahru Estates Sdn Bhd	2,243,000	0.09
25.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (TRANG)	2,152,400	0.09
26.	Chinchoo Holdings (S) Private Limited	2,041,200	0.08
27.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (AGUS)	1,859,100	0.07
28.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund ZVMY for State Street MSCI Malaysia Index Non-Leading Common Trust Fund	1,756,000	0.07
29.	Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund OD75 for Ishares Public Limited Company	1,741,700	0.07
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund DU19 for Caisse De Depot ET Placement DU Quebec	1,713,520	0.07
Total		**2,261,766,373**	**90.83**

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63	154,364,580[1]	6.20
Hap Seng Insurance Services Sdn Bhd (Hap Seng Insurance)	154,364,580	6.20	-	-
Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	325,675,660	13.08	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,840,134,782[2]	73.91

Notes:

(1) *Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance, pursuant to section 8 of the Companies Act 2016 (the "Act").*

(2) *Deemed interests by virtue of his direct and/or indirect substantial interests in Gek Poh (Holdings) Sdn Bhd and Lei Shing Hong Investment Limited pursuant to section 8 of the Act.*

(3) *For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,489,675,583 which was arrived at after deducting 6,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.*

DIRECTORS' SHAREHOLDINGS

AS AT 30 MARCH 2018

	Direct Shareholding		Indirect Shareholding	
Company	**No. of Shares**	**%(1)**	**No. of Shares**	**%(1)**
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	5,000	#	-	-
Dato' Mohammed Bin Haji Che Hussein	20,000	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 2,489,675,583 which was arrived at after deducting 6,000 treasury shares held by HSCB from its issued shares 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 799,691,200 which was arrived at after deducting 308,800 treasury shares held by HSP from its issued shares of 800,000,000 ordinary shares.*

\# *Negligible*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 42nd 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, 30 May 2018 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2017 together with the reports of directors and auditors. Note 1

To consider and if thought fit, to pass the following ordinary resolutions:-

2. To re-elect the following directors who shall retire by rotation in accordance with article 97 of the Company's articles of association and being eligible, have offered themselves for re-election:- Note 2 & 4

    (a) Ms. Cheah Yee Leng — **Ordinary Resolution 1**

    (b) Datuk Simon Shim Kong Yip, JP — **Ordinary Resolution 2**

    (c) Mr. Leow Ming Fong @ Leow Min Fong — **Ordinary Resolution 3**

3. To re-elect Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah who shall retire in accordance with article 103 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 & 4 — **Ordinary Resolution 4**

4. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM953,452.00 for the financial year ended 31 December 2017. Note 5 — **Ordinary Resolution 5**

5. To reappoint Messrs Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 6 — **Ordinary Resolution 6**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

6. **Authority to allot shares pursuant to section 75 of the Companies Act 2016**

    "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 7 — **Ordinary Resolution 7**

7. **Continuation of Dato' Mohammed Bin Haji Che Hussein as an independent non-executive director**

"That pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Dato' Mohammed Bin Haji Che Hussein who has served the Board as an independent non-executive director of the Company for a cumulative term of more than 9 years 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 **Ordinary Resolution 8**

8. **Continuation of Dato' Jorgen Bornhoft as the independent non-executive chairman**

"That pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Dato' Jorgen Bornhoft who has served the Board as an independent non-executive chairman of the Company for a cumulative term of more than 12 years 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 9 **Ordinary Resolution 9**

9. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 30 April 2018, 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 such approval shall continue to be in force until:-

(a) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless renewed by a resolution passed at the annual general meeting; or
(b) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
(c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever is the earlier;

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate." Note 10 **Ordinary Resolution 10**

10. **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 Bursa Malaysia Securities Berhad, and the approvals of all relevant governmental and/or regulatory authorities, the directors of the Company be and are hereby authorised to purchase ordinary shares in the Company through Bursa Malaysia Securities Berhad, provided that:-

(a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total number of issued shares of the Company;

(b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2017; and

(c) the authority conferred by this resolution shall continue to be in force until:-

(1) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless is renewed by the passing of a resolution at that meeting, either unconditionally or subject to conditions; or
(2) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
(3) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever occur first,

and that the directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or
(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or
(iii) retain part thereof as treasury shares and cancel the remainder; and/or
(iv) in any other manner as prescribed by the Companies Act 2016, rules, regulations and orders made pursuant to the Companies Act 2016 and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority for the time being in force,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 11

Ordinary Resolution 11

11. Proposed adoption of new constitution of the Company (Proposed Adoption)

"That the Company's existing memorandum and articles of association be deleted in its entirety and that the new constitution as set out in Part C of the Circular/Statement to shareholder dated 30 April 2018 be and is hereby adopted as the new constitution of the Company,

and that the directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption." Note 12 **Special Resolution**

By order of the Board

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

Kuala Lumpur
30 April 2018

Explanatory notes to the Agenda:-

1. *Pursuant to section 340(1) and (2) of the Companies Act 2016 (Act), the directors shall lay before the Company at its annual general meeting (AGM) its audited financial statements made up to a date not more than 6 months before the date of the AGM. This agenda 1 is meant for discussion only and will not be put forward for voting.*

2. *Pursuant to article 97 of the Company's articles of association, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election.*

3. *Pursuant to article 103 of the Company's articles of association and paragraph 7.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), any director so appointed, either to fill a casual vacancy or as an addition to the board of directors, shall hold office until the next AGM of the Company, and shall then be eligible for re-election.*

4. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the board of directors (Board) that these directors are eligible to stand for re-election.*

5. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries. The directors' fees of RM953,452.00 excludes any directors' fees payable by its listed subsidiaries where their respective shareholders' approval has been obtained/is to be obtained.*

6. *Pursuant to section 271(4) and section 273 (b) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM.*

7. *The proposed ordinary resolution 7 is a renewal of the general mandate (General Mandate) for the authority to allot shares pursuant to section 75 of the Act. This proposed ordinary resolution 7, if passed, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the total number of issued shares of the Company for the time being, subject to compliance with all other regulatory requirements and this General Mandate will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This General Mandate, 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 mandate granted by the shareholders at the last AGM held on 31 May 2017, which the mandate shall lapse at the conclusion of this AGM.

8. *Despite having served as an independent non-executive director for more than 9 years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Dato' Mohammed Bin Haji Che Hussein continues to advocate professional views without fear or favour and is capable of acting objectively in the best interest of the Company, as well as has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

9. *Despite having served as the independent non-executive chairman for more than 12 years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Dato' Jorgen Bornhoft continues to advocate professional views without fear or favour and is capable of acting objectively in the best interest of the Company, as well as has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

   Pending the amendment of the Company's constitution to authorise a two-tier voting process, the Company will be seeking the shareholders' approval to retain Dato' Jorgen Bornhoft to continue in office as the independent non-executive chairman of the Company until the conclusion of the next AGM by way of a single-tier voting process.

10. *The proposed ordinary resolution 10 is to enable the Company and its subsidiaries to enter into recurrent related party transactions (RRPT) which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would also eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad or convene separate general meetings from time to time to seek shareholders' approval as and when RRPT arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

    Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 30 April 2018 which is despatched together with the Company's 2017 Annual Report.

11. *The proposed ordinary resolution 11, if approved, will empower the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varies by the Company at a general meeting, will expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 30 April 2018 which is despatched together with the Company's 2017 Annual Report.*

12. *The proposed special resolution, if passed, shall streamline the constitution of the Company to be aligned with the Act which came into force on 31 January 2017, the updated provision of the Listing Requirements, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Further information on the Proposed Adoption is set out in the Part C of the Circular/Statement to shareholders dated 30 April 2018 which is despatched together with the Company's 2017 Annual Report.*

Notes to the notice of AGM:-

1. *A depositor shall not be regarded as a member entitled to attend this AGM, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 22 May 2018.*

2. *Subject to note 3 below, a member entitled to attend and vote at this AGM is entitled to appoint a proxy or proxies 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 at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.*

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HAP SENG

Creating
Value
Together

Hap Seng Consolidated Berhad (26877-W)

PROXY FORM

No. of shares	CDS Account No.

I/We ____ NRIC No./Company No. ____________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

Tel No. __________________ being a member/members of Hap Seng Consolidated Berhad, do hereby appoint

____ NRIC No./Company No. ____________________
(FULL NAME OF PROXY IN BLOCK LETTERS)

of ____ Tel No. _______________
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 42nd 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, 30 May 2018 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 2017 together with the reports of directors and auditors.			
ORDINARY BUSINESS			**FOR**	**AGAINST**
2.	To re-elect Ms. Cheah Yee Leng as director of the Company.	Ordinary Resolution 1		
3.	To re-elect Datuk Simon Shim Kong Yip, JP as director of the Company.	Ordinary Resolution 2		
4.	To re-elect Mr. Leow Ming Fong @ Leow Min Fong as director of the Company.	Ordinary Resolution 3		
5.	To re-elect Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah as director of the Company.	Ordinary Resolution 4		
6.	To approve the payment of directors' fees.	Ordinary Resolution 5		
7.	To reappoint Messrs Ernst & Young as auditors of the Company.	Ordinary Resolution 6		
SPECIAL BUSINESS			**FOR**	**AGAINST**
8.	Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Ordinary Resolution 7		
9.	To approve the continuation of Dato' Mohammed Bin Haji Che Hussein as an independent non-executive director of the Company.	Ordinary Resolution 8		
10.	To approve the continuation of Dato' Jorgen Bornhoft as the independent non-executive chairman of the Company.	Ordinary Resolution 9		
11.	To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Ordinary Resolution 10		
12.	To approve renewal of share buy-back authority.	Ordinary Resolution 11		
13.	To approve adoption of new constitution of the Company.	Special Resolution		

Please indicate with a "√" in the spaces above on how you wish your votes to be cast. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this ______________ day of __________ 2018

____
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 (AGM), to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 22 May 2018.*

2. *Subject to note 3 below, a member entitled to attend and vote at this AGM is entitled to appoint a proxy or proxies 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 at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the AGM 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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