HAP SENG

Creating
Value
Together




HAP SENG CONSOLIDATED BERHAD

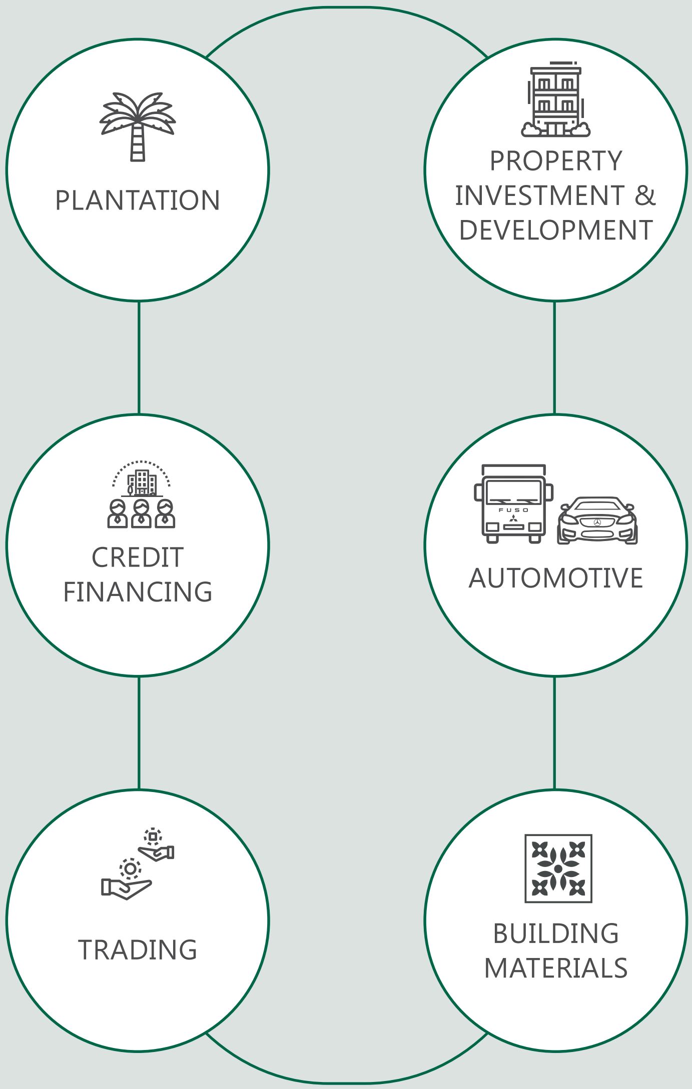
ANNUAL REPORT 2018

ABOUT US

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

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

OUR 6 BUSINESS DIVISIONS



43RD
ANNUAL GENERAL MEETING

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

DATE
Thursday, 30 May 2019

TIME
10.00 a.m

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

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

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

To be the employer of choice.

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

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HOW WE ARE GOVERNED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman

Datuk Edward Lee Ming Foo, JP
Managing Director

Lee Wee Yong
Executive Director

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

Boardroom Share Registrars Sdn Bhd (378993-D)
(formerly known as Symphony Share Registrars Sdn Bhd)
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
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad
HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Hong Leong Bank Berhad
CIMB Bank Berhad
Affin Bank Berhad
AmBank (M) Berhad

GROUP

Hap Seng Consolidated Berhad together with its subsidiaries

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2014	2015	2016	2017*	2018
INCOME (RM'000)					
Revenue	3,768,049	4,393,338	4,891,714	5,293,993	**6,246,519**
Profit before interest and tax	1,092,223	1,221,408	1,364,423	1,508,877	**1,558,123**
Profit before tax	1,024,625	1,117,596	1,244,935	1,375,897	**1,394,178**
Profit attributable to owners of the Company	753,467	908,473	1,000,960	1,098,923	**1,145,608**
FINANCIAL POSITION (RM'000)					
Assets					
Total asset	7,785,568	10,034,932	11,725,461	13,169,322	**15,575,804**
Net assets	3,951,775	4,242,648	5,490,676	6,137,861	**7,025,388**
Current assets	3,303,173	3,951,443	5,105,674	5,397,418	**7,092,661**
Liabilities					
Current liabilities	2,476,372	3,114,414	3,433,667	3,976,766	**3,832,530**
Borrowings	2,618,872	4,191,936	4,425,247	4,478,875	**5,428,983**
Borrowings (net of money market deposits and cash)	2,118,114	3,678,562	3,386,227	3,739,628	**3,788,635**
Shareholders' Equity					
Paid-up share capital	2,226,779	2,249,731	2,489,682	3,519,554	**3,519,554**
Shareholders' equity	3,951,775	4,242,648	5,490,676	6,137,861	**7,025,388**
Total equity	4,385,642	4,841,394	6,122,455	7,107,201	**8,296,743**
Total equity (excluding intangible assets)	4,348,906	4,749,719	6,037,306	7,070,465	**8,243,896**
Number of shares					
- Weighted average share in issue net of treasury shares ('000)	2,054,505	2,149,824	2,362,902	2,489,679	**2,489,674**
- Shares in issue net of treasury shares ('000)	2,137,597	2,156,672	2,489,680	2,489,676	**2,489,672**
SHARE INFORMATION					
Per share					
Basic earnings (sen)#	36.67	42.26	42.36	44.14	**46.01**
Net assets (RM)@	1.85	1.97	2.21	2.47	**2.82**
Dividend (sen)	25.00	30.00	35.00	35.00	**35.00**
Share price					
- Year High (RM)	4.99	6.70	8.93	9.79	**10.20**
- Year Low (RM)	2.66	3.55	6.40	8.53	**8.70**
- As at 31 December (RM)	4.68	6.48	8.86	9.55	**9.85**
Market capitalisation (RM'000)	10,003,954	13,975,235	22,058,561	23,776,406	**24,523,269**
Trading volume ('000)	503,499	412,039	362,662	101,444	**120,484**
FINANCIAL RATIOS					
Return on total assets (%)	9.68	9.05	8.54	8.34	**7.36**
Return on shareholders' equity (%)	19.07	21.41	18.23	17.90	**16.31**
Current ratio (times)	1.33	1.27	1.49	1.36	**1.85**
Net Debt-to-Equity ratio (times)^	0.49	0.77	0.56	0.53	**0.46**

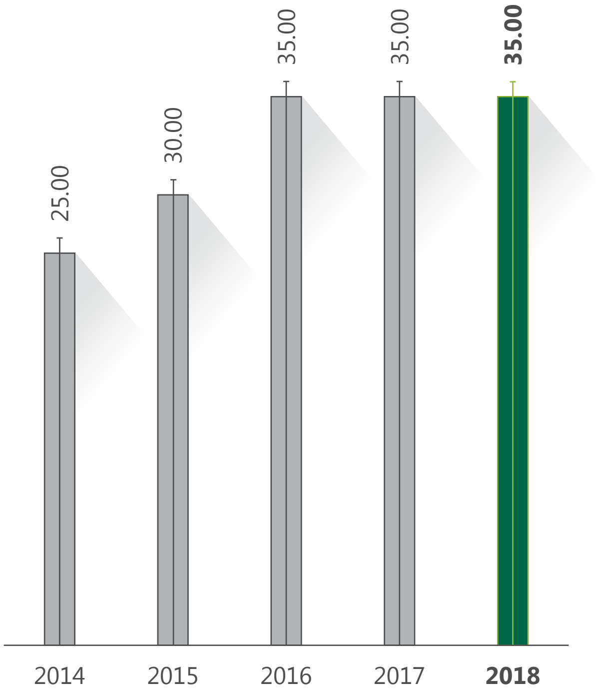
* *The figures for financial year ended 31 December 2017 have been restated to reflect the application of the Malaysian Financial Reporting Standards framework (Refer to page 155)*

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

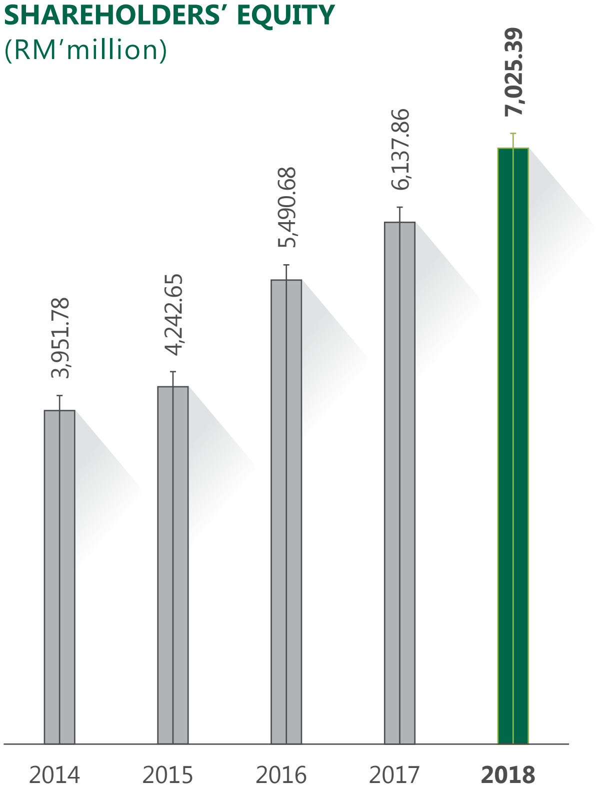
@ *Based on number of shares in issue net of treasury shares ('000)*

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

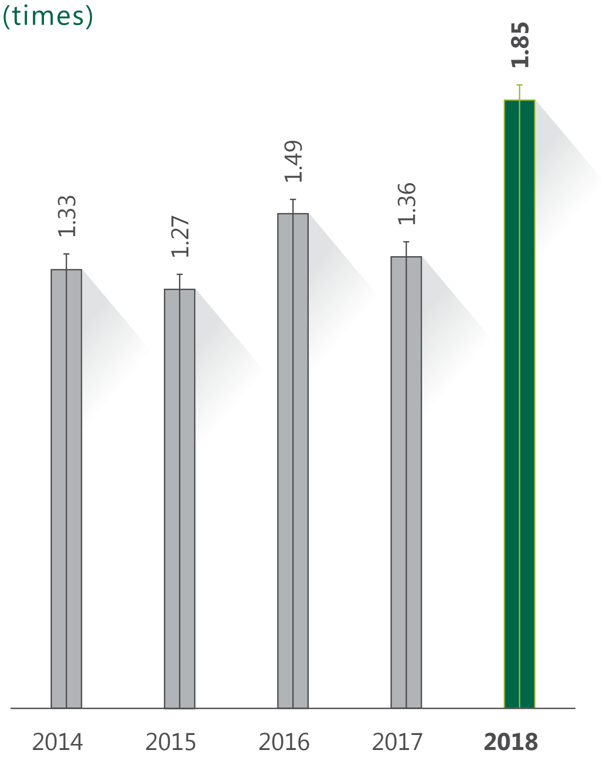
DIVIDEND PER SHARE
(sen)



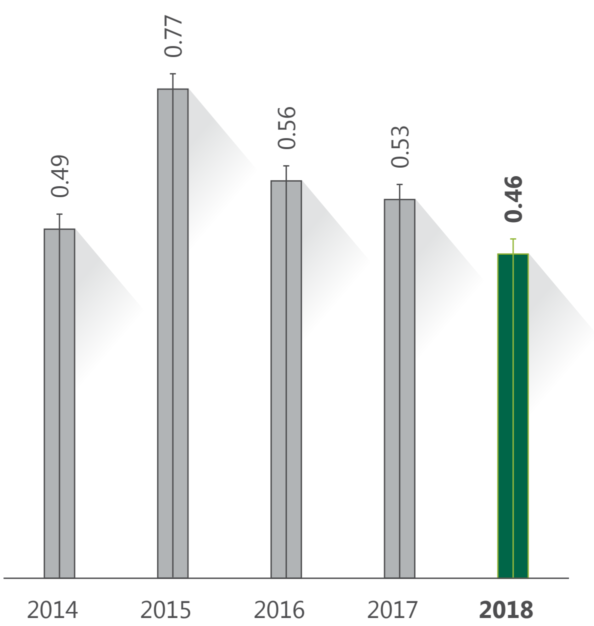
SHAREHOLDERS' EQUITY
(RM'million)



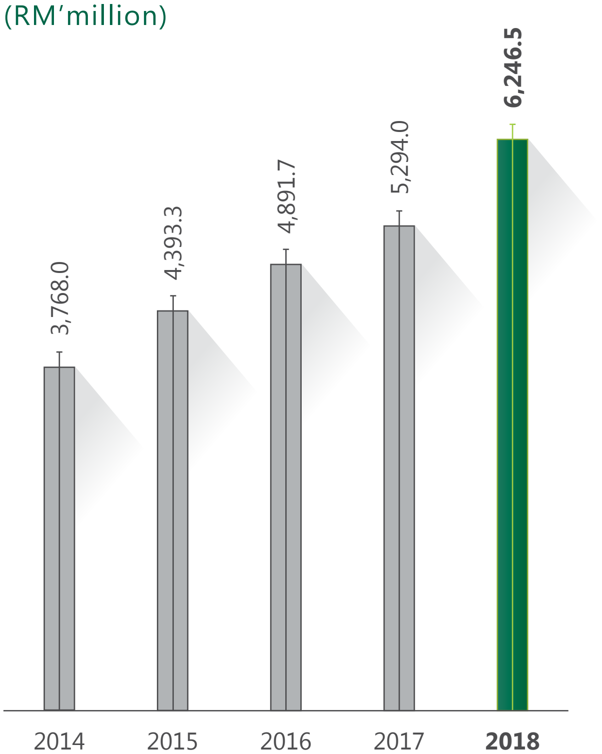
CURRENT RATIO
(times)



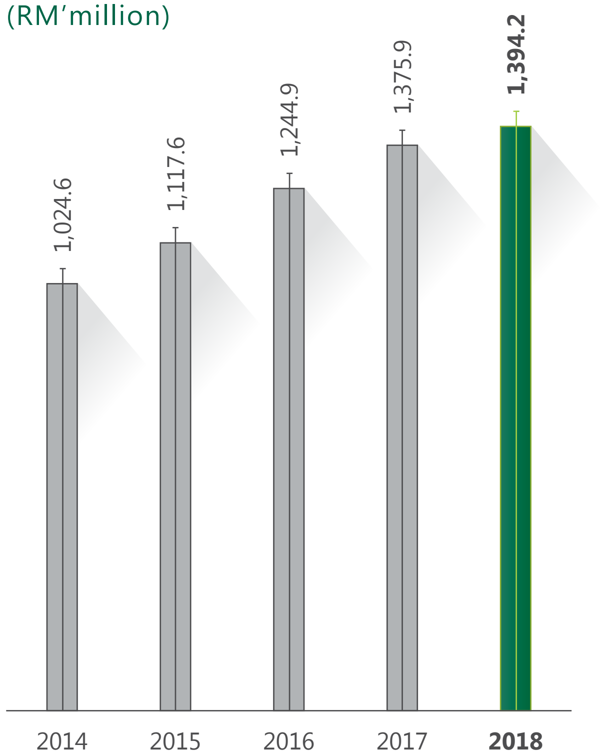
NET DEBT-TO-EQUITY RATIO
(times)



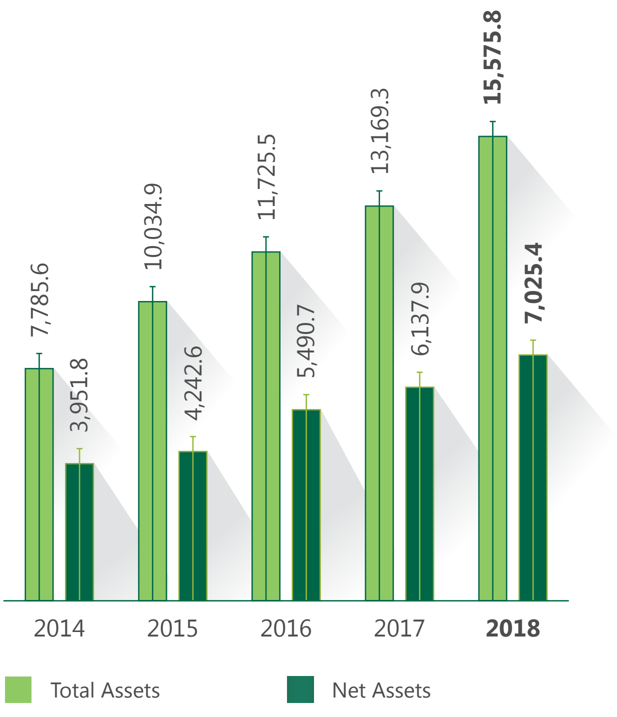
REVENUE
(RM'million)



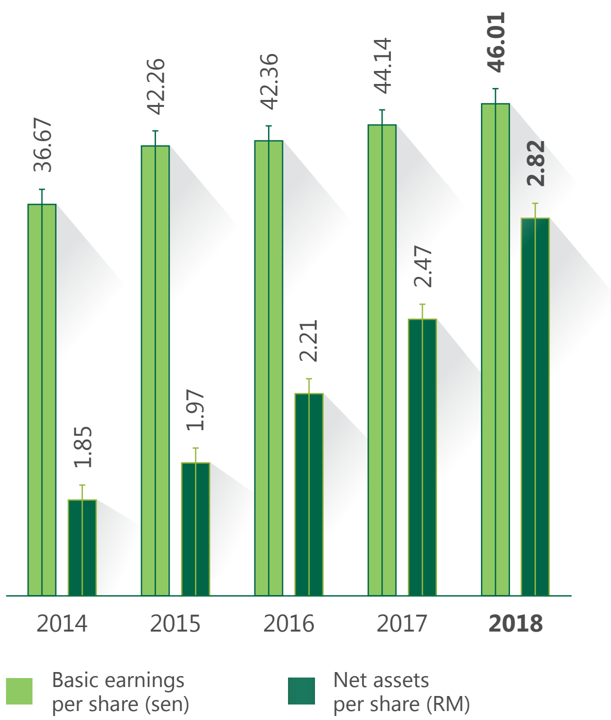
PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE



MANAGEMENT DISCUSSION & ANALYSIS

Group Revenue	Profit Before Tax	Group Earnings Per Share
RM 6,246.5 million	RM 1,394.2 million	46.01 sen

THE GROUP

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

The Group's operations are predominantly in Malaysia, with market presence in 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 communities for a better future.

STRATEGIES IN CREATING VALUE

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

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

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

MARKET LANDSCAPE

The Malaysian economy recorded a lower Gross Domestic Product (GDP) growth of 4.7% in 2018 (2017: 5.9%) dragged down by slower growth rate in domestic demand. Public consumption growth slowed down to 3.3% in 2018 attributed to the moderate growth in supplies and services. Public investment fell by 5.2% in 2018 as there was a decline in capital spending by public corporations. Private consumption on the other hand showed improvement as income and employment growth continued to drive household spending. Crude oil prices strengthened in 2018 with average Brent prices at USD71 per barrel compared to the average price of USD54 per barrel in 2017.

The average inflation rate for 2018 was 1% (2017: 3.8%), the lowest in 9 years.

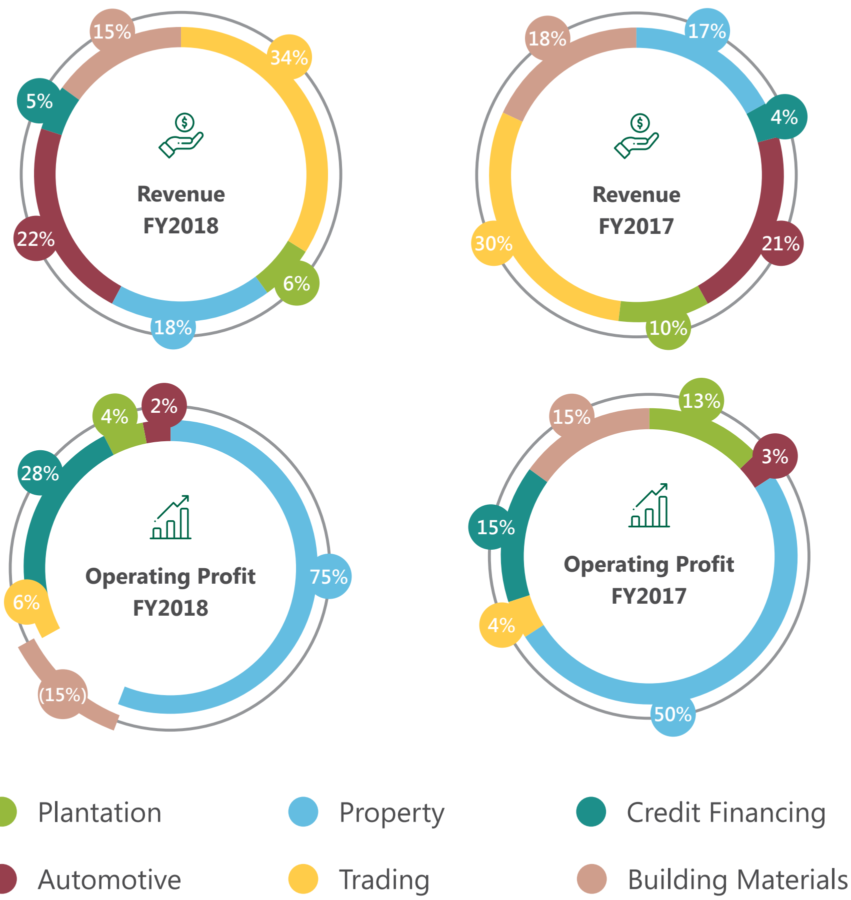
FINANCIAL REVIEW

The Group achieved an 18% increase in revenue to RM6,246.5 million (2017: RM5,294 million), with the exception of the Plantation Division, all of its core businesses recorded a year-on-year growth. Correspondingly, the Group's profit after tax after non-controlling interest for the 2018 financial year grew by 4% to RM1,145.6 million (2017: RM1,098.9 million).

As a result, the Group's earnings per share (EPS) improved by 4% to 46.01 sen (2017: 44.14 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 (2017: 35 sen per share), representing a pay-out ratio of approximately 76%.

SEGMENTAL PERFORMANCE HIGHLIGHTS

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



PLANTATION DIVISION

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

Revenue

RM **390.8** million

Operating Profit

RM **37.2** million

MARKET CONDITION

Throughout 2018, the Malaysian oil palm industry suffered from weak export demand despite strong production, which led to higher stockpiles and softer prices.

The price of Crude Palm Oil (CPO) remained steady during the first few months of the year. However, export demand fell sharply in May, coinciding with one of Malaysia's main importers, India raising its import tax on palm oil and refined palm oil.

Production of palm oil picked up in the second half of the year which outpaced demand resulting in a large stockpile. The European Union's (EU) environmental concerns surrounding palm oil dampened demand further. By the end of December 2018, CPO prices fell to their lowest in three years to RM1,795 per tonne while stocks hit a high of 3.22 million tonnes. According to the Malaysian Palm Oil Board, the average CPO price was RM2,232 per tonne in 2018 as compared to RM2,783 per tonne in 2017. The Sabah average CPO price was RM2,174 per tonne as compared to RM2,800 in 2017.

MANAGEMENT STRATEGIES

Key Market

The division's palm oil products are generally sold through spot sales and forward contracts. The majority of the sales were locally delivered to refiners within Malaysia while part of the sales was exported on free-on-board terms.

Strategies In Creating Value

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

Benefits of certification amongst others are as follow:

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

2018 FINANCIAL REVIEW

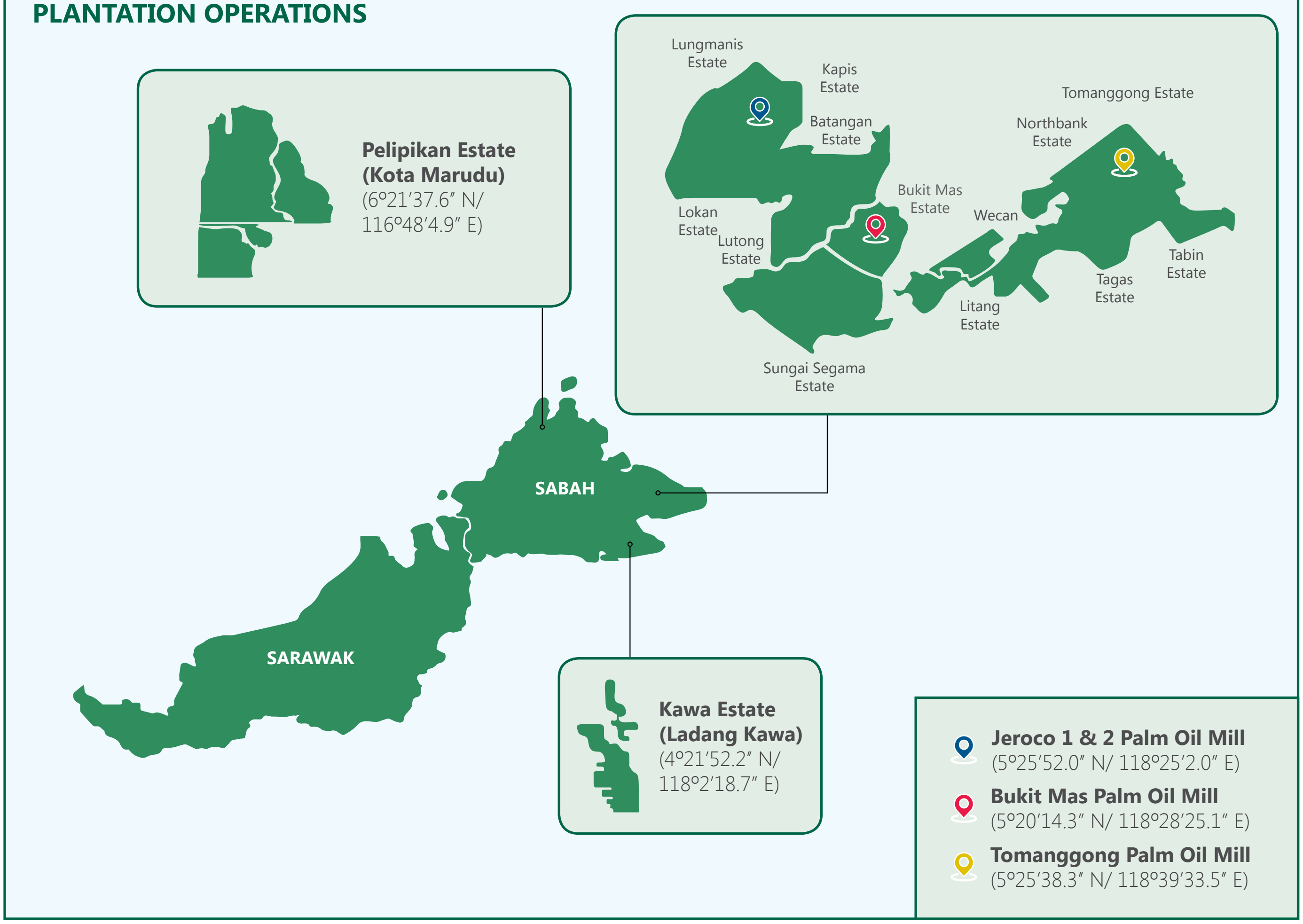
The division's revenue for the financial year under review was RM390.8 million, 29.6% lower than the previous financial year of RM555.1 million as it was adversely impacted by the lower average prices of CPO and palm kernel (PK). Consequently, operating profit decreased by 74.7% to RM37.2 million (2017: RM146.9 million).

Sales volume for CPO and PK were lower by 11.9% to 139,691 tonnes (2017: 158,567 tonnes) and 1.4% to 34,452 tonnes (2017: 34,925 tonnes) respectively. The division recorded an average realised price for CPO and PK of RM2,300 per tonne and RM1,825 per tonne respectively during the year which was higher than the Sabah average of RM2,174 per tonne and RM1,762 per tonne respectively.

In terms of production, the division recorded an average fresh fruit bunch (FFB) production yield of 20.45 tonnes per hectare (2017: 20.48 tonnes per hectare) which was better than Sabah's average FFB production of 18.16 tonnes per hectare.

The plantation industry continues to be impacted by labour shortages and high production cost. In this respect, CPO production cost (excluding amortisation of bearer plant and amortisation of surplus on fair value; and after taking into account PK credits) for the financial year was approximately 8% higher at RM1,432 per tonne as compared to the previous year's production cost of RM1,328 per tonne.

PLANTATION OPERATIONS



OPERATIONAL PERFORMANCE

Planting Operations

As of 31 December 2018, the division had a total planted area of 35,957 hectares (2017: 35,957 hectares) out of a total area of 40,279 hectares. Of the total planted area, approximately 89% or 32,138 hectares (2017: 32,023 hectares) are mature areas, with the average age of 15.6 years (2017: 15.3 years).

	Hectares
Immature	3,819
30 months to 7 years	4,491
> 7 years to 17 years	8,522
> 17 years	19,125
Total planted – oil palm	35,957
Immature – other crops	146
Total planted area	36,103
Reserve plantable	113
Building, road, reserves, etc	4,063
Total Area	**40,279**

For FY2018, the division had 3,819 hectares of immature oil palm out of which 1,425 hectares are expected to mature in 2019. The division replanted 982 hectares during FY2018.

Area Statement of the Group as of 31 December 2018 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE(i)	14,117	*12,808	10,957	85.5%
TMGOE(ii)	12,807	**11,864	11,068	93.3%
SSGOE(iii)	9,906	8,742	7,424	84.9%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	**40,279**	**36,103**	**32,138**	**89.0%**

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

Milling Operations

The division's milling operation is undertaken by four mills with a combined milling capacity of 180 FFB tonnes per hour. The division's mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 68.8% of the total milling capacity throughout 2018 which is slightly lower than the previous year (2017: 69.2%) mainly due to lower external FFB supplies.

Sustainability and Food Safety Certification

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

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

The division also supports the national sustainability scheme and has achieved Malaysian Sustainable Palm Oil (MSPO) certification of all 15 estates and four palm oil mills in February 2018, ahead of the mandatory timeline of 31 December 2018 (for the RSPO-certified plantations category).

To ensure the division's goal to achieve RSPO certification for all external FFB by 2022, the division continues to engage with independent local outgrowers and smallholders to raise awareness about sustainable palm oil and the benefits of becoming certified.

Currently, five out of the eleven (11) independent local outgrowers and smallholders (45%) have agreed to participate in obtaining the RSPO and MSPO certification. Four of these independent local outgrowers and smallholders have completed the MSPO (Stage 1) audit and have made preparations to undergo the RSPO (Stage 1) audit.

SHORT AND LONG-TERM GOALS

The division will strive to maintain certification from RSPO, ISCC EU, HACCP and MSPO. It would cement the division's status as a sustainable palm oil producer in compliance with global sustainability standards for agriculture production.

OUTLOOK FOR 2019

The Malaysian palm oil industry is expected to face heightened volatility in 2019. High palm oil stock, the EU's policy against palm oil, labour shortages and higher wages are expected to weigh on demand, prices and production costs. The division will continue to improve operational efficiencies to mitigate the effects of rising production costs.

The division's prospects will depend on global macroeconomic factors, weather conditions in major oil seed producing countries, government policy on biodiesel and the seasonal cropping pattern of FFB.

PROPERTY INVESTMENT & DEVELOPMENT DIVISION

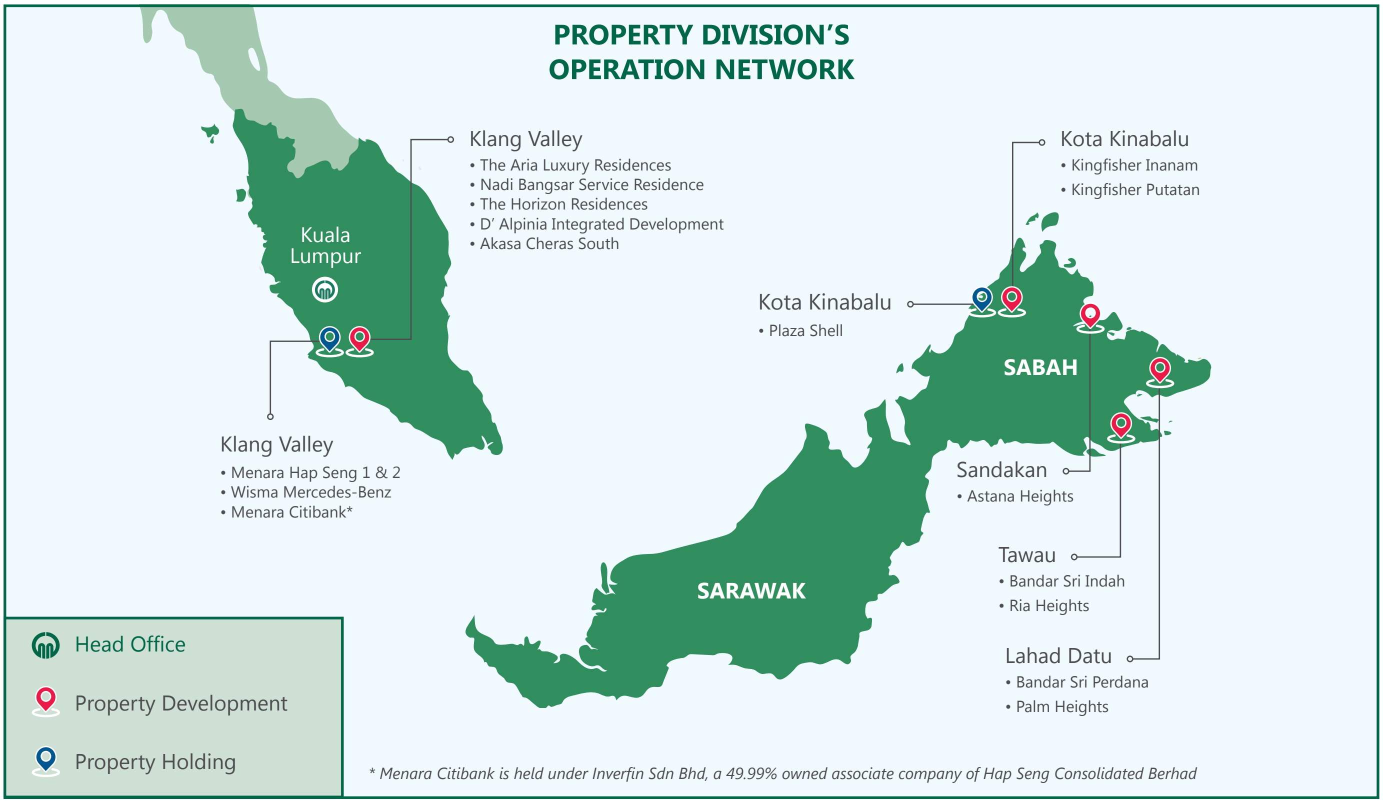
The Property Investment & Development division is an established property developer in both Peninsular Malaysia and Sabah. The division's property developments are located in strategic locations across Sabah and the Klang Valley. The division's property investments are mainly located in the central business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

Revenue

RM
1,171.1 million

Operating Profit

RM
648.9 million



MARKET CONDITIONS

The property market in Malaysia recorded increase in overhang residential units from 20,304 units in the third quarter of 2017 to 30,115 units in the third quarter of 2018. The overhang units are largely contributed by the mismatch of supply and demand. On the demand side, property purchasers have adopted a cautious attitude in property acquisition and are faced with the tightening of lending guidelines. Thus, the number of residential transactions in Malaysia rose by 1.2% only in the first nine months of 2018 as compared to the corresponding period in 2017.

The overall occupancy rate of purpose-built office buildings in KL stood at 78.3%, a marginal decline as compared to 80.4% recorded in the third quarter of 2017, following the completion of more new office space. As at the end of the third quarter of 2018, existing office space in KL increased to 8.3 million square meters from 8.2 million square meters as at the end of the third quarter of 2017.

The existing supply of purpose-built office in KK remained at 0.5 million square meters as of the end of the third quarter of 2018. The average occupancy rate was recorded at 88.8%, a slight increase of 0.6% as compared to the end of the third quarter of 2017.

MANAGEMENT STRATEGIES

The division navigates the soft property market by improving product and marketing strategies to accommodate market demand and changing economic conditions. In addition, to better position itself in the market, the division regularly conducts benchmarking and market landscape analysis. The division also leverages on the Group's extensive business network to promote its properties.

The division is on a constant lookout for strategically located land banks and development opportunities in the Klang Valley and Sabah, premised on its branding, established track record and the Group's strong financial standing. This will allow the division to capitalise quickly when the market recovers in the future.

Menara Hap Seng 2

To take advantage of the Sabah tourism boom, the division is developing its first ever Hyatt branded five-star hotel in Kota Kinabalu. Construction of the full-service hotel started in April 2019 and is expected to be completed by 2021.

For office buildings, the division offers Grade A office buildings with the prestigious MSC Cybercentre status and good connectivity which the division believes are factors that would attract MSC companies and start-ups.

Plaza Shell

OPERATIONAL PERFORMANCE

In 2018, the division recorded a 24% increase in revenue to RM1,171.1 million (2017: RM943.7 million). The higher revenue recorded includes the disposal of non-strategic land held for development, in line with the division's strategy to reposition its property developments in prime locations in the Klang Valley.

2018 project revenue was mainly contributed by The Aria Luxury Residences, Akasa Cheras South, Kingfisher Inanam, Kingfisher Putatan and Bandar Sri Indah. Rental income from investment properties increased slightly to RM72.2 million (2017: RM71.7 million) contributed mainly by improved performance of Menara Hap Seng 2.

Correspondingly, the division's operating profit increased by 21% to RM648.9 million (2017: RM534.8 million).

PROPERTY DEVELOPMENT

PENINSULAR MALAYSIA

The Aria Luxury Residences

Targeted to be completed in 2019, The Aria Luxury Residences, which currently enjoys good take up rate, is strategically located along Jalan Tun Razak in close proximity to the Petronas Twin Towers, international schools, medical centres and transport links. The elegant 45-storey condominium comprises two blocks of residential towers with 598 freehold residential units and a gross development value (GDV) of RM1.1 billion.

This luxurious service residence boasts 1.5 acres of custom-designed facilities and leisure space, including a 50-metre Olympic-size pool, jacuzzi, hydro gym pool and a full glass-fronted gym overlooking the lush greens of the Royal Selangor Golf Club.

In addition, the two top floors of Aria are equipped with TV lounge cum music room, gourmet kitchen, mini library space, games room and viewing decks for spectacular vistas of KLCC skyline.

The Aria Luxury Residences

Akasa Cheras South

Akasa Cheras South

Nestled within the thriving Cheras South complete with shopping malls, medical facilities and international schools, Akasa Cheras South (Akasa) is a freehold integrated development directly accessible from the SILK Highway. Akasa consists of Akasa Service Residence and Akasa Business Park.

Launched in 2017, Akasa Service Residence, with a GDV of RM635 million, comprises three blocks of residential towers with 998 units in total. The service residence showcases resort living including the first man-made beach in Cheras, Olympic-length lap pool, kid entertainment zone, music chamber, games lounge and gourmet kitchen. Akasa Service Residence has enjoyed strong sales and is slated for completion in 2020.

Akasa Business Park consists of signature offices and retail spaces ranging between five to eight storeys. This premium business park is scheduled to be launched in 2019, with an expected GDV of RM150 million.

UPCOMING NEW PROJECTS IN PENINSULAR MALAYSIA:

Mixed Development at KL Metropolis Plot 5A

This modern mixed development is located on an 8.95-acre piece of land at KL Metropolis. KL Metropolis is an international trade and exhibition hub hosting the Malaysia International Trade and Exhibition Center ("MITEC"), the largest trade and exhibition centre in Malaysia.

This mixed development at KL Metropolis Plot 5A comprises residential, retail, office and hotel components and is strategically located in an upmarket area with close proximity to prime established residential and commercial centres such as Mont Kiara, Publika, Damansara Heights and Bukit Tunku. The site is within walking distance to MITEC and overlooks the Metropolis Park, a 5-acre urban park equipped with recreational facilities. Currently under construction are the retail and hotel components with a direct link to MITEC.

Jalan Kia Peng Service Apartment

The Jalan Kia Peng Service Apartment is a 44-storey service residence with 348 freehold units. The service apartment is strategically located along Jalan Kia Peng and is within walking distance to two upcoming MRT stations, Suria KLCC and Pavilion Kuala Lumpur.

Construction of this project commenced in 2018 and the luxury building offers its residents a green urban lifestyle with landscaped terrace designs and a rooftop garden. Nature's elements are seamlessly weaved into the design of the building.

Kingfisher Inanam


Kingfisher Putatan

SABAH

KOTA KINABALU

Kingfisher Inanam

Located just 15 minutes from the KK City Centre, Kingfisher Inanam is situated in the established neighbourhood of Inanam and is in close proximity to the upcoming Pan Borneo Highway.

With an estimated GDV of RM360 million, the three blocks of residential towers of 739 units are nestled amidst verdant tropical greens. It also has an 85,000 square feet sky-park with natural green landscaping that is integrated with facilities such as a swimming pool, gymnasium, party lounge and barbeque terrace to provide its residents with a resort-like retreat.

Kingfisher Putatan

Situated within Putatan, an up-and-coming neighbourhood next to the city of Kota Kinabalu, Kingfisher Putatan enjoys easy accessibility to the Kota Kinabalu International Airport and the upcoming Pan Borneo Highway.

Following the successful launch of phase one, the division launched phase two comprising of three blocks of residential towers of 408 units with a GDV of RM221 million in 2018. The condominium offers a breath taking view of the Crocker mountain range and is equipped with facilities such as swimming pools, sauna room, a basketball court and gardens. Future phases are currently being planned to meet the growing demand for housing in Kota Kinabalu.

Bandar Sri Indah


Bandar Sri Indah

TAWAU

Bandar Sri Indah

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

The self-contained township offers comprehensive facilities such as schools, a 15.5-acre lake garden, supermarket, community sports complex, eateries, security centre and intercity bus terminal. It is anticipated to be an education hub with private schools, universities and colleges offering primary, secondary and tertiary education.

Amongst them are Open University Malaysia, University Malaysia Sabah Tawau Campus, Tawau Vision School, Vision International School and Community College. In 2018, BSI celebrated the opening of BSI Orchid Garden and a petrol station, a testimony of the division's continuous efforts to provide better amenities for the local community.

A total of 2,715 units of residential, commercial and industrial properties, with a GDV of RM920 million have been completed to date. During 2018, 772 units of affordable terrace houses with an estimated GDV of RM308 million were launched while the remaining 512 units of South Ville Apartments are slated to be launched in 2019, bearing testament to the division's commitment to provide affordable housing to the local populace. The township's vibrancy has been further enhanced with the launching of 62 units of industrial units which are scheduled for completion in 2019.

Ria Heights

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

To date, a total of 473 residential and commercial units with a GDV of RM190 million have been completed. In 2018, the division launched the remaining 493 units of single-storey terrace houses with a GDV of RM192 million.


Ria Heights

LAHAD DATU

Bandar Sri Perdana

Bandar Sri Perdana is a sought-after address in Lahad Datu, with a bustling commercial area offering a multitude of amenities such as hypermarket, bank, hotel and fast food chain.

A total of 1,409 units of mixed development with a GDV of RM567 million has been launched to date. In order to meet the continuous demand for housing in this area, the division is currently planning approximately 1,700 residential units for future launches.

Bandar Sri Perdana

Bandar Sri Perdana

SANDAKAN

Astana Heights

Astana Heights, a 98-acre mixed development project in Sandakan, completed 529 units of residential and commercial properties with a GDV of RM252 million.

In 2018, the division launched one block of Kingfisher Sandakan, consisting of 204 units with a GDV of RM72 million. Kingfisher Sandakan is the division's first high rise development in Astana Heights and is within the affordable price range. It offers elevated living with a magnificent sea view.

This gated and guarded condominium contains facilities such as a swimming pool, a wading pool, a basketball court and a gymnasium. Upon completion, Kingfisher Sandakan will have 792 units in four blocks of 18-storey apartments.

Astana Heights

Wisma Mercedes-Benz

PROPERTY INVESTMENT

Despite the challenging commercial office leasing market in Malaysia, the division's investment properties continued to record healthy occupancy rates throughout the year. Menara Hap Seng, Menara Hap Seng 2, Plaza Shell and Menara Citibank recorded average occupancy rates of 89%. Menara Citibank is held under Inverfin Sdn Bhd, a 49.99% owned associate company of Hap Seng Consolidated Berhad.

The division is currently constructing its latest showpiece landmark, Menara Hap Seng 3, a prime Grade A office building located at the junction of Jalan Sultan Ismail and Jalan P. Ramlee. The green building will comprise 20 storeys of office space, five storeys of retail podiums and six levels of basement car park including an integrated state-of-the-art Mercedes-Benz dealership and a vertical green wall that illuminates the whole tower.

Upon completion, Menara Hap Seng 3 together with Menara Hap Seng and Menara Hap Seng 2 will be known as Plaza Hap Seng, housing modern and well maintained green office towers in the heart of Kuala Lumpur, with a total net lettable area of approximately 900,000 square feet.

Menara Citibank

CONSTRUCTION

The division is currently undertaking the construction of an integrated industrial hub. Located on a 20-acre piece of land in Shah Alam, the industrial hub consists of basement parking, four blocks of detached warehouse, six blocks of semi-detached warehouse, one block of flatted warehouse and one block of office with retail outlets target to be completed in 2020.

Menara Hap Seng 3

SHORT AND LONG-TERM GOALS

The division's short-term and long-term goals are to strive for sustainable growth and to achieve a balanced and yield-accretive portfolio of development properties and investment properties. In addition, the division continues to actively support the Government's initiative to provide affordable housing.

As part of its expansion plan, the division will continue its land banking activities to sustain its future development plans. The division will also diversify into hotel ownership and operation in the coming years. The division is committed to grow its brand by offering quality and innovative products while taking into consideration sustainability issues.

OUTLOOK FOR 2019

Residential sector

The Malaysian economy is expected to expand between 4.3% to 4.8% in 2019 premised on solid domestic demand, stable financial conditions and favourable external environment. Malaysia's property market is envisioned to show signs of recovery as market sentiment continues to improve aided by affirmative Government policy initiatives such as the waiver of stamp duty for residential homes valued below RM1.0 million. This is foreseen to add impetus to the property sector in 2019. Thus, the division is cautiously optimistic of the residential property market in Malaysia.

Commercial office sector

Some 6.5 million square feet of office space is expected to be added to KL's office space between 2019 and 2021. Notwithstanding, the division is optimistic that the occupancy rate of its investment properties can be maintained at a healthy level. Plaza Hap Seng is strategically located in Kuala Lumpur City Centre with good connectivity by being close to transportation links and has value added accreditations such as MSC status and green building status. The new addition, Menara Hap Seng 3, will be equipped with modern facilities and vertical garden that illuminates the building within, thus enhancing its marketability.

CREDIT FINANCING DIVISION

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 10 branches nationwide; with five in Peninsular Malaysia, three in Sabah and two in Sarawak. Operating under Hap Seng Credit Sdn Bhd, the division is a prominent player in the non-bank sector and continues to maintain its position as one of the top credit financing institutions in this sector.

Revenue

RM **291.8** million

Operating Profit

RM **246.9** million


Hap Seng Credit Sdn Bhd
Your Preferred Financier

MARKET CONDITIONS

Amidst a challenging business environment in 2018, the division achieved improved business performance during the financial year under review albeit at a slower pace. The highly competitive financing landscape remained throughout 2018, with rising funding costs leading to pressures on interest margin.

MANAGEMENT STRATEGIES

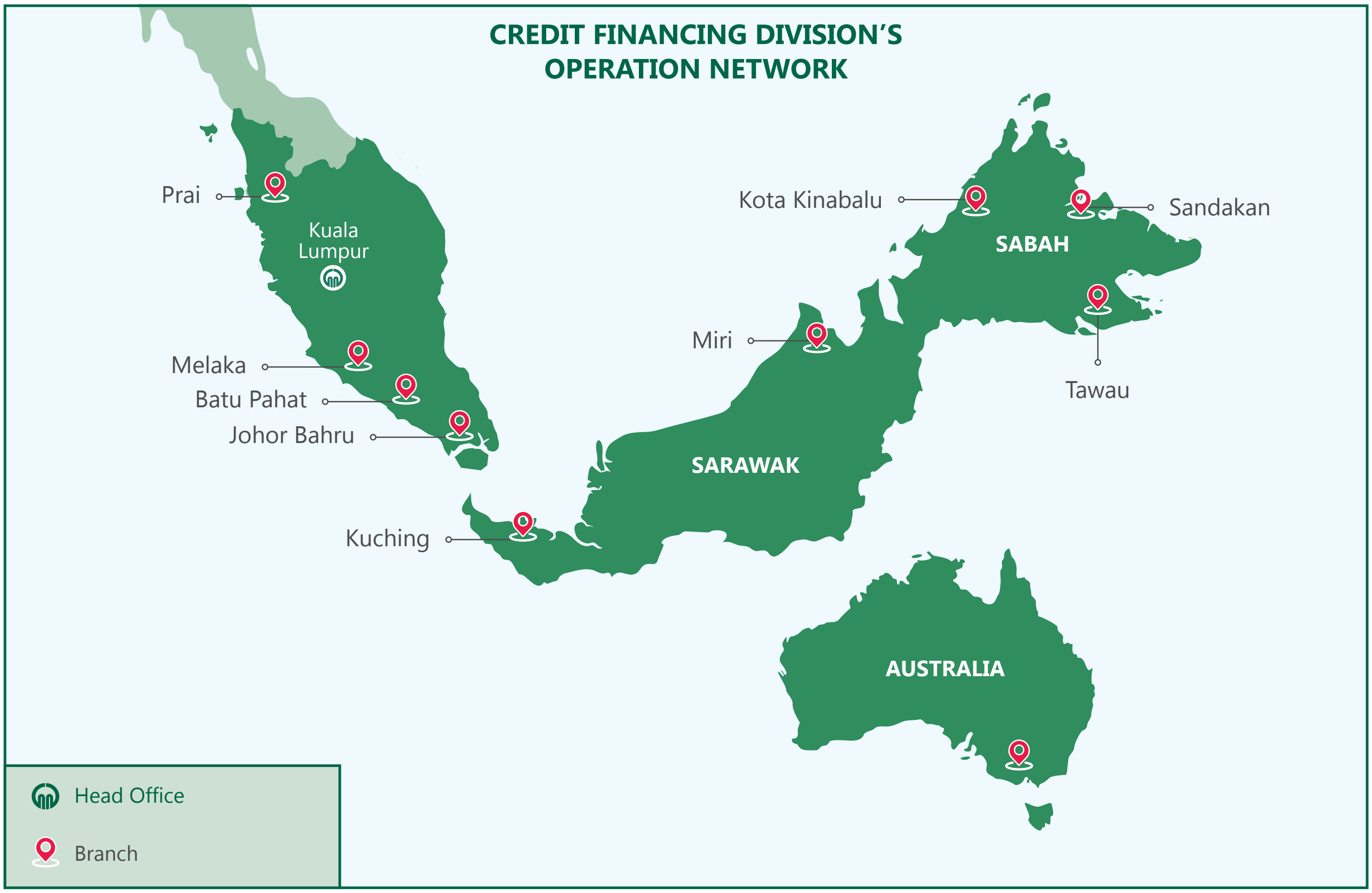
The division shall continue to uphold the principle of prudent lending by procuring acceptable quality businesses with reasonable return and providing excellent services to its customers. The division will concentrate in growing its secured Term Loan portfolio with innovative product development customised to customers' needs.

OPERATIONAL PERFORMANCE

The division has sustained its efforts in building up its secured term loan portfolio to manage yields while maintaining a sizeable portfolio for the industrial hire purchase business. Continuous emphasis is placed on managing cost of funds vis-à-vis funding requirements to achieve acceptable net interest margin. Credit collections and loan recovery/rehabilitation efforts are continuously emphasised with vigour to maintain non-performing loans at an acceptable level. The division continued its focus on its core sectors which includes real estate, manufacturing, transportation and general commerce.

With a combination of higher business volume and stringent cost management practices, the division achieved an operating profit of RM246.9 million (2017: RM166.1 million), an increase of 49% over the preceding year. The loan base expanded by 16% to RM3.6 billion (2017: RM3.1 billion), a new milestone for the division with a return on average asset of 3.66% (2017: 2.66%). The higher operating profit achieved was also due to a higher capital base which has positioned the division for higher loan growth.

Gross non-performing loans (NPL) ratio however, deteriorated to 1.67% in 2018 (2017: 1.38%). The division does not expect any material impact to its financial performance arising from these NPL as most of them relates to secured term loans which are well collateralised.



SHORT AND LONG-TERM GOALS

The division will maintain its efforts to improve portfolio returns and continue expanding its secured term loan portfolio that will enhance portfolio stability. Human capital is being strengthened with the recruitment of skilled staff while internal training programs are regularly provided in the areas of technical updates and refresher seminars for relevant staff.

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

OUTLOOK FOR 2019

In 2019, the Malaysian economy is projected to grow at about the same rate as the previous year. The banking industry continues to be selective in granting loans while market demand for funding remains robust. The division views this as an opportunity to market term loans as an alternative source of funding for businesses that require general working capital.

The division shall continue to leverage on its competitive edge and expertise as a preferred financier to the division's business associates through more efficient services. It will also intensify efforts in synergistic collaboration with other core business divisions in the Group.

AUTOMOTIVE DIVISION

The Automotive division consists of Hap Seng Star Sdn Bhd (Hap Seng Star), a leading Mercedes-Benz passenger car dealer, and Hap Seng Trucks Distribution Sdn Bhd (Hap Seng Trucks Distribution), the sole general distributor of Mercedes-Benz and FUSO commercial vehicles in Malaysia.

The division's passenger car business currently has a network strength of eleven Mercedes-Benz passenger car dealerships strategically located across the country – seven in the Klang Valley and one each in Iskandar (Johor), Kota Kinabalu, Kuching and Miri. Hap Seng Star is also the owner of the largest Mercedes-Benz certified pre-owned centre in Malaysia, located in Kinrara Industrial Park, Puchong. Alongside this, Hap Seng Star also owns another pre-owned centre in Balakong.

Revenue

RM **1,425.3** million

Operating Profit

RM **19.0** million


FUSO
CANTER


E-Class
GLC

MARKET CONDITION

In 2018, the Malaysian passenger car market rebounded with the total industry volume (TIV) in the segment recording 533,202 units (2017: 514,675 units). This is a TIV increase of 18,527 units or 3.6% growth as compared with 2017. Mercedes-Benz continued to be the number one premium automotive brand in Malaysia, with total annual sales volume of 13,079 units (2017: 12,067 units).

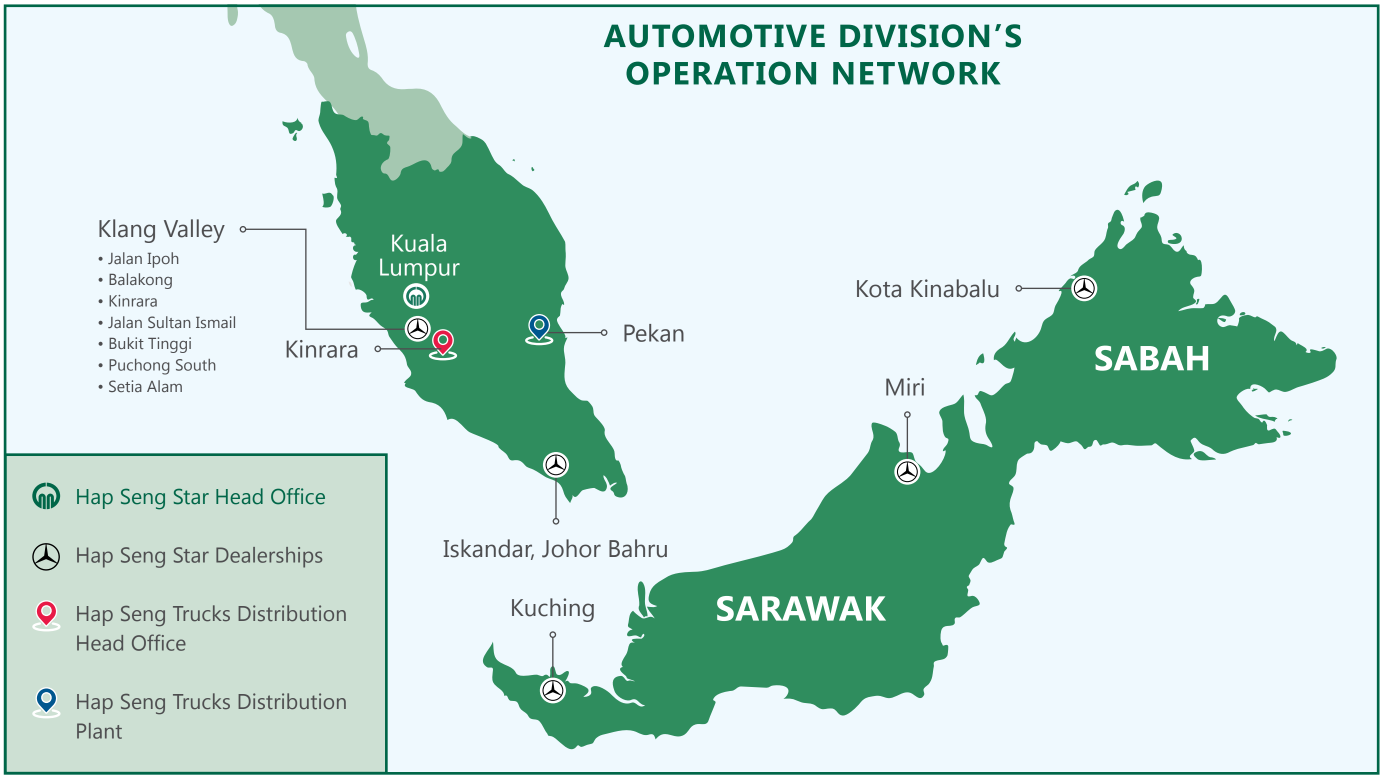
In the commercial vehicle market, the total TIV recorded slight better growth of 5.7% to 65,512 units (2017: 61,950 units). Trucks and prime movers make up 26.1% of the Commercial Vehicles segment (2017: 24.6%) with total truck and prime mover sales of 17,112 units (2017: 15,234 units), an increase of 1,878 units or 12.3%.

MANAGEMENT STRATEGIES

In 2018, Hap Seng Star continued with its strategy to expand its dealer network. This included the opening of two new dealerships in Puchong South (April 2018) and Setia Alam (November 2018); and a new Certified Pre-Owned Centre in Kinrara (October 2018).

As part of the division's strategy in expanding its footprint in the automotive business, it's new company, Hap Seng Trucks Distribution, has on 1st November 2018 acquired the commercial vehicle business of Mercedes-Benz Malaysia. It is now the sole distributor of Mercedes-Benz trucks, Mercedes-Benz vans and FUSO trucks in the country, and handles the import, assembly, wholesale distribution and after-sales-support of Mercedes-Benz and FUSO commercial vehicles in Malaysia.

The commercial vehicle operations will strive to deliver the best customer experience through exceptional customer focused activities, service excellence and highest technical standards.



OPERATIONAL PERFORMANCE

In 2018, Hap Seng Star achieved record breaking sales of 5,263 units (2017: 4,691 units), a 12% increase over the previous year. This is partly due to the zero-GST period from June to August 2018, where prices of vehicles dropped considerably.

The passenger car aftersales operation also achieved record throughput of 53,684 units (2017: 44,844 units), a 20% increase over the previous year. Consequently, the passenger car operations turnover increased to RM1,385.4 million (2017: RM1,153.4 million) with record operating profit of RM31.2 million (2017: RM27.3 million), representing a growth of 14% over the previous year.

In its two months of operation, Hap Seng Trucks Distribution recorded sales of 234 units, generating net revenue of RM39.9 million. Aftersales operations also contributed a net revenue of RM2.9 million. However, it recorded a loss of RM12.2 million comprising a pre-operating loss of RM6.5 million and an operating loss of RM5.7 million. Pre-operating loss primarily consists of staff and set-up costs attributed to spending on operating systems development, implementation and training.

In total, the automotive division recorded a turnover of RM1,425.3 million (2017: RM1,153.4 million) and an operating profit of RM19.0 million (2017: RM27.3 million).

AWARDS AND RECOGNITION

The Dealer of The Year Awards Programme is a testament of Mercedes-Benz Malaysia's (MBM) efforts to reward dealerships for operational excellence and commitment to delivering the best customer experience. Among MBM's network of 35 dealerships nationwide, Hap Seng Star dealerships have clinched the top position for eight out of nine awarded categories, including the most prestigious Dealer of the Year Award 2018.

AWARD	CHAMPION	1st RUNNER UP	2nd RUNNER UP
DEALER OF THE YEAR 2018	Kota Kinabalu	Bukit Tinggi	Kinrara
CSI NO1 (SALES) – DELIGHTFUL CUSTOMER CARE	Iskandar	Balakong	-
CLI – LOYALTY FIRST	Kota Kinabalu	Kuching	Kinrara
BEST IN BUSINESS EXCELLENCE 2018	Kota Kinabalu	-	-
BEST IN FINANCIAL SERVICES 2018	Bukit Tinggi	-	-
BEST IN CSI & CLI 2018	Kota Kinabalu	Bukit Tinggi	Kuching
BEST IN CUSTOMER SERVICES 2018	Balakong	Kinrara	-
BEST IN SALES 2018	Bukit Tinggi	Jalan Ipoh	Balakong

The passion and expertise that has carried Hap Seng Star's promise to give the Best Customer Experience was showcased in this year's Mercedes-Benz South East Asia II Skills Competition. Hap Seng Star's technical team claimed the "Champion Ranking" for 3 out of 5 categories.

SHORT AND LONG-TERM GOALS

In 2019, Hap Seng Star will optimise its existing network focusing on modification and innovation, such as digital marketing, to further increase sales, market share and profitability.

Aftersales operations will continue to focus on customer satisfaction and retention. It recently launched the first Mercedes-Benz mobile application in Malaysia which further enhances customer experience.

As part of Hap Seng Star's effort to have a continuous stream of highly qualified technicians, it continues to sponsor students enrolled in the Advanced Modern Apprenticeship programme. Since the initiation of this key community programme in 2013, Hap Seng Star has sponsored a total of 105 graduates. Another community program introduced by Hap Seng Star in 2018 is the Technical and Vocational Education and Training (TVET) which provides in house on the job training and a Level 2 certificate for SPM school leavers, upon completion.

Hap Seng Trucks Distribution will develop a strong commercial vehicle distributorship in the country to drive the future growth of Mercedes-Benz and FUSO commercial vehicles. One of the immediate plans is to professionalise the current network of dealers in order to provide better customer experience. Hap Seng Trucks Distribution together with its dealer network will provide technical support, marketing activities, after-sales services, product training and parts supply.

OUTLOOK FOR 2019

In the Malaysian Automotive Association's 2019 review, the total TIV is expected to grow modestly by 0.21% to 600,000 units (2018: 598,714 units). The TIV for the passenger car market is anticipated to grow by 0.15% to 534,000 units (2018: 533,202 units) and the TIV for the commercial vehicle market is anticipated to grow by 0.74% to 66,000 units (2018: 65,512 units).

Mercedes-Benz's fresh line up of cars will include the locally assembled A-Class sedan and GLC300 Coupe; and two additional brand new SUVs, namely the GLE and the G-Class.

Hap Seng Trucks Distribution will be launching a few new Mercedes-Benz and FUSO models in 2019 with the latest specifications and designs which cover a wider range of customer's expectations. The company will continue to upgrade its dealers' network to have more dedicated 3S dealerships.

TRADING DIVISION

Since July 2018, the Fertilizers Trading and General Trading operations have been grouped under the Trading division as part of an internal restructuring exercise. The General Trading operations were previously grouped under the Building Materials division.

FERTILIZERS TRADING

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

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

GENERAL TRADING

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

The General Trading operations caters to the building contractors market through its network of 7 branches - 4 in Sabah, 1 in Johor, 1 in Penang and a main office in Petaling Jaya.

Revenue

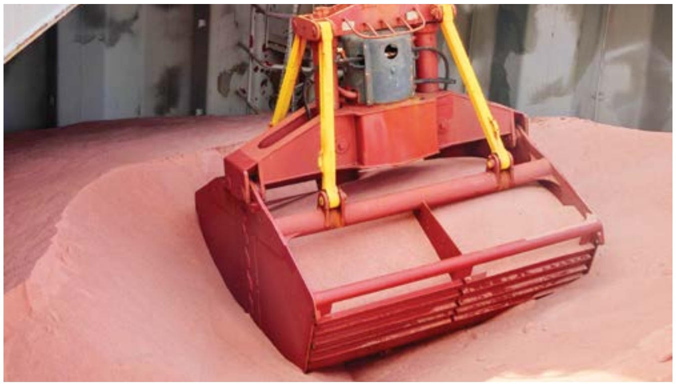
RM
2,228.6 million

Operating Profit

RM
53.6 million

MARKET CONDITION

Fertilizers Trading



2018 had started with a strong demand for fertilizers, particularly for MOP where there was spillover demand caused by tight MOP supply in 2017. The prolonged time it took to reach agreement on the MOP price in major markets such as China and India had enabled producers to progressively increase MOP prices in the international market.

China eventually reached settlement on the MOP price with major international suppliers, in September 2018, at USD290 per tonne which is USD60 per tonne higher than last year.

In the second half of 2018, the demand for fertilizers was affected by the lower CPO prices. As the CPO prices weakened, and with higher level of inventory in the market, many oil palm plantations had deferred their use of fertilizers in an attempt to optimise their operating cost and profitability.

China continued to strengthen its environmental control policy and numerous fertilizer producers would have to consolidate or close down due to compliance issues. Production costs in China continued to escalate.

As the China market continued to face challenges with market volatility and uncertainty, the fertilizers trading operations adopted a prudent approach in new business development while maintaining the existing channels of supply and distribution.

General Trading

The demand for building material products was affected by slower growth in the construction sector in 2018. This was mainly due to several ongoing major infrastructure projects nearing completion, slowing down in property development activities and the deferment and/or cancellation of several new major infrastructure projects by the new government after the 14th general election.

MANAGEMENT STRATEGIES

Fertilizers Trading

The fertilizers trading operations had positioned itself in anticipation of a stronger market in Malaysia and Indonesia during the first half of the year by having the supply chain in place to meet the higher demand. To mitigate the higher cost of fertilizers from China, the fertilizers trading operations had leveraged on its leading market position to ship in larger volume to be more cost efficient and competitive.

In addition, closer engagement with the marketplace had been adopted to enhance the responsiveness of the operation team to changes in market and business environment.

General Trading

The general trading operations, being one of the leading building materials suppliers in Malaysia, focused on increasing its market penetration, expanding market coverage as well as leveraging on the strength of the Group's synergy.

OPERATIONAL PERFORMANCE

Fertilizers Trading

With the strong demand for fertilizers from the plantation industry in Malaysia and Indonesia during the first half of 2018 , coupled with improved availability of supply, the fertilizers trading operations recorded a 26% increase in sales volume to 1,572,000 tonnes (2017: 1,244,000 tonnes). This translated to revenue of RM1,395.7 million, an increase of 37% over the preceding year (2017: RM1,018.7 million). Operating profit also improved by 13% to RM40.4 million (2017: RM35.9 million).

Operations in Malaysia

The fertilizers trading operations had regained its market leadership position in Malaysia after weathering the tight supply situation in 2017. The higher sales volume in fertilizers in 2018 had also increased its market share to 27% (2017: 20%).

In 2018, HSF strengthened its market position in Sabah and Sarawak with a market share of 36% (2017: 30%) and remained a major player in Peninsular Malaysia, with a market share of 16% (2017 : 9%).

Turnover rose by 24% to RM883.8 million (2017: RM712.6 million) as the sales volume and prices for fertilizers improved. In 2018, sales volume rose by 17% to 958,000 tonnes (2017: 817,000 tonnes). Operating profit lower by 6% to RM32.5 million (2017: RM34.5 million).

Operations in Indonesia

With the higher demand for fertilizers in the first half of 2018, PTSI recorded a total sales volume of 404,000 tonnes, an increase of 52% over the preceding year (2017: 265,000 tonnes). Revenue rose by 78% to RM324.2 million (2017: RM181.8 million) which in turn generated an operating profit of RM8.6 million (2017: RM3.3 million).

Operations in China

The China operations gained a stronger foothold in the regional market during 2018 with sales volume increasing by 30% to 210,000 tonnes (2017: 162,000 tonnes), and sales revenue increasing by 51% to RM187.7 million (2017: RM124.3 million). As a result, the unit reduced its operating loss to RM0.7 million (2017: Operating loss of RM1.9 million) as its operations continued to improve.

General Trading

The general trading operations recorded revenue of RM833.0 million, an increase of 35% over the preceding year (2017: RM617.9 million). Operating profit improved by 69% to RM13.2 million (2017: RM7.8 million).

The increase in revenue was mainly due to better sales of steel bars, cement, pipes & sheets and sanitary ware in the building materials segment and diesoline in the petroleum segment. The optimisation of the Group's synergy has contributed significantly.

In total, the trading division recorded a turnover of RM2,228.6 million (2017: RM1,635.6 million) and an operating profit of RM53.6 million (2017: RM43.7 million).

SHORT AND LONG-TERM GOALS

Fertilizers Trading

The fertilizers trading operations continues to develop with the establishment of strategic partnerships with its customers and key industry players as part of its market development strategies. Strong emphasis will be placed on closer engagement with the marketplace to identify, anticipate and respond to the changes in the business environment.

To enhance customer service delivery, continuous effort will be focused on improving operational efficiency of the existing distribution channels in Malaysia and Indonesia.

As part of its customer retention strategy, the fertilizers trading operations will continue to organise marketing activities such as promoting the usage of fertilizers and agronomic advisory services.

The China business unit continues to tap into the Group's synergy in strengthening its sourcing and marketing capabilities across the regional market. SCC will continue to actively pursue the importation of fertilizers into the local market whilst embarking on establishing a domestic distribution network within the country.

General Trading

In the short-term, the general trading operations aims to sustain growth in sales and operating profits by increasing its customer base, expanding market coverage, exercising stringent credit control and leveraging on the strength of the Group's synergy.

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

OUTLOOK FOR 2019

Fertilizers Trading

In early 2019, it is anticipated that the demand for fertilizers will be somewhat constrained by weak CPO prices. Oil palm plantation companies are expected continue to be cautious in their fertilizer applications.

MOP producers however anticipate supply to be tight for the first half of 2019 as demand from other international markets remains strong. The fertilizers trading operations will continue to monitor the business environment and to mitigate and reduce exposure where necessary.

General Trading

The construction sector is forecasted to grow at a relatively moderate rate of 4.7%. Market demand will be supported by the anticipated growth in the affordable housing sector and various ongoing infrastructure projects.

BUILDING MATERIALS DIVISION

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

Revenue

RM
979.0 million

Operating Loss

RM
135.5 million


MML
QUALITY. GUARANTEED.


HAFARY

QUARRY, ASPHALT AND BRICK

This operation engages in quarrying activity in both Peninsular Malaysia and Sabah with an approximate total capacity of six million tonnes per annum. 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

Operating under Malaysian Mosaics Sdn Bhd (MMSB), the ceramic tiles operation manufactures and distributes ceramic tiles worldwide under the MML brand name. The segment's manufacturing facilities are located in Kluang, Johor with an annual plant capacity of approximately six million m^2. This capacity is complemented by outsourced volumes from Malaysia and China. MMSB has an established distribution network for both the retail and project market, with overseas subsidiaries in Singapore and China.

SINGAPORE TRADING

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

Hafary operates a flagship gallery, a stone gallery, two showrooms and warehousing premises that forms an area of approximately 600,000 square feet. Hafary's operation caters to both the retail and project segment.

The retail segment's customer base consists of home-owners and commercial clients such as architectural firms, interior designing firms and renovation firms. On the other hand, the project segment's customer base consists of commercial clients such as architectural firms, property developers and construction companies.

MARKET CONDITION

Malaysia's real GDP growth slowed to 4.7% in 2018 compared to 5.9% in 2017 largely due to moderation in most sectors, both domestic and export.

Similarly, growth in the construction sector declined to 4.2% in 2018 as compared to 6.7% in 2017. This was mainly due to several ongoing major infrastructure projects close to completion, delays in highway construction and dampened property development activities. The sector was also affected by the review and deferment of several new major infrastructure projects.

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

MANAGEMENT STRATEGY

Quarry, Asphalt and Brick

In view of the review and deferment of major infrastructure projects and the dampened property development activities, the operation's strategies include right sizing initiatives, cost control, efficient asset utilisation and leveraging on the strength of the Group's synergy.

Ceramic Tiles

In response to the challenging business environment and cost pressures from rising energy and input material cost, MMSB adopted a strategy to emphasise on outsourced products to complement its manufacturing operations. In this respect, MMSB undertook a plant downsizing exercise to streamline its operations. MMSB intends to accelerate growth in its outsourced business segment via strategic partnerships with Original Equipment Manufacturers (OEM) in Malaysia and China to develop new products for market expansion. MMSB will continue to strengthen the overseas distribution and export markets.

Singapore Trading

Hafary aims to strengthen its position as one of the leading building material suppliers in Singapore by increasing its market penetration and by putting more emphasis on strengthening its customer service offerings. Hafary has extended its footprint in early 2019 into a new showroom through their partnership in Myanmar.

OPERATIONAL PERFORMANCE

In 2018, the division recorded revenue of RM979 million (2017: RM1,024 million) and operating loss of RM135.5 million (2017: operating profit of RM157.4 million, including non-operating gains of RM136.5 million arising from the disposal of land and building).

The revenue decrease of 4% was mainly due to the decrease in revenue from MMSB. MMSB recorded revenue of RM368.0 million in 2018 (2017: RM403.4 million). In volume terms, MMSB experienced a 4.6% decrease from the previous year due to change in product mix.

The operating loss recorded by the division during the financial year was primarily due to non-operating expenses incurred by the division. In 2018, the quarry, asphalt and brick operations incurred non-operating expenses of RM49 million which includes stock write-down and impairment losses of fixed assets. Similarly, MMSB also incurred non-operating expenses of RM80.3 million primarily due to the manpower right-sizing exercise and fixed asset impairment losses.

SHORT AND LONG-TERM GOALS

Quarry, Asphalt and Brick

The operation's short-term goal is to streamline its operations to ensure sustainability and viability, through optimisation of its production capacities, exercising stringent cost control, expanding the operation's product base and leveraging on the strength of the Group's synergy. In the longer term, the operation aims to strengthen its position in Sabah.

Ceramic Tiles

MMSB's aims to focus on the successful implementation of its product outsourcing plan.

Singapore Trading

Hafary's short-term goal is to emphasise on growing its sales volume and to improve its operating profits. In the longer term, Hafary will continue to explore more overseas opportunities.

OUTLOOK FOR 2019

The construction sector is forecast to grow at a moderate pace of 4.7% in 2019 following an increase in new planned supply in the affordable homes and industrial segments. Affordable housing is among one of the major segments that would benefit from the government's spending based on the latest Budget for 2019. Ongoing infrastructure projects, such as the Pan Borneo Highway, are expected to drive demand for the division's products.

In Singapore, GDP is expected to grow between 1.5% to 3.5% in 2019 and construction demand as forecasted by the Building and Construction Authority of Singapore will be between S$27 billion and S$32 billion in 2019, with about 60% contributed by the public sector. These developments are expected to offer the Singapore Trading operation growth opportunities locally.

ANTICIPATED OR KNOWN RISKS

As a whole, the Group is aware of the risks and challenges it faces across our diversified businesses. The Group has taken a proactive approach to ensuring the risks are managed and mitigated.

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

The plantation division is expected to face rising cost pressures arising from higher minimum wage, labour shortages and higher fertilizers costs. To optimise the operating costs, the division will emphasise on mechanising the harvesting and fertilizer application processes, wherever feasible. The division will also regularly review the wage and employee benefits to ensure that they are robust enough to both attract and retain its workers.

In order to allay the security risk, the plantation division had implemented various security measures, which includes the planned setting up of Auxiliary Police at the estates and working closely with related government agencies and partners to safeguard its plantation as well as providing a secure working environment for its employees.

The property investment and development division expects the weak sentiment to persist in 2019. The division will intensify its sales and marketing activities to reduce stock and increase occupancy for its investment properties.

The credit financing division expects a competitive financing landscape, rising funding costs and slightly higher non-performing loans. Nevertheless, the division expects to overcome this with stringent cost management practices, credit collection and/or loan recovery/rehabilitation.

The automotive division continues to offer attractive sales and after-sales packages with focus on service excellence to increase its market share in response to the expected intense competition from other brands and dealers in 2019.

The trading division anticipates a challenging year in 2019. The fertilizers trading operation faces significant price risks due to uncertainties emanating from the US-China trade war and volatility in CPO prices. In response, the fertilizers trading operations had adopted steps to minimise stock holding and matching stock orders with committed sales to minimise the pricing risk. The general trading segment focuses on expanding its existing customer base and market coverage as it continues to be impacted by the slowdown in construction markets.

The Group's building materials division faces risks from poor market conditions and technological changes in its ceramic tiles segment requiring it to source more of its products through OEM channels. The quarry, asphalt and brick segment anticipates risks from poor market conditions, requiring it to carry out streamlining and rationalisation measures with the objective of achieving a lower-cost base to ensure its long-term viability.

MOVING FORWARD

Malaysia's real GDP is projected to grow at between 4.3% to 4.8% in 2019. However, the Group remains cautiously optimistic about its outlook for 2019 with the expectation of slower global growth having an effect on the domestic economy.

The Malaysian palm oil industry is expected to face headwinds in 2019. High palm oil stock, the EU's policy against palm oil, labour shortages, higher wages and fluctuation in USD are expected to weigh on demand and prices. The division will continue to improve operational efficiencies to mitigate the effects of rising production costs.

For the property sector, market sentiment is expected to improve. With various incentives given by the government, we expect a favourable outcome in 2019. In the commercial property space, we are optimistic that the occupancy rate of our investment properties can be maintained as according to the Ministry of International Trade and Industry, Malaysia is now seeing renewed foreign investor confidence.

Credit financing activity is expected to remain robust in the SME sector supported by affirmative government policies. The credit financing division will continue to build its term loans portfolio to achieve loan portfolio stability. The division will continue to leverage on its competitive edge and expertise, as well as the Group's synergy, to seek opportunities to grow its loan base.

The automotive division will leverage on the new models of Mercedes-Benz passenger cars and its investments in the after-sales facilities to maintain its market share. The trucks distribution operations will also see new models being launched that should help it meet its targets.

The fertilizers trading operation expects the market to be affected by weak CPO prices resulting in oil palm plantation companies to be more cautious in their fertilizer applications. Supply for MOP is also expected to be tight in the first half of 2019. However, the fertilizers trading operations expects to receive sufficient supply to meet its demand for the year.

The general trading operations is expected to benefit from the Group's synergy and the anticipated growth in the affordable housing sector and various ongoing infrastructure projects.

Although general business conditions are expected to be weak, the building material division anticipates its business to be supported by ongoing infrastructure projects, such as the Pan Borneo Highway, and the demand for affordable housing. The Singapore trading operations is also expected to benefit from the expected growth in the construction sector.

ACKNOWLEDGMENTS

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 staff for your significant contributions over the years.

The Company further acknowledges the support given to the Group from its business partners, clients, customers and suppliers as we continue to create value for all stakeholders.

BOARD OF DIRECTORS

Sitting from left to right

1. **CHEAH YEE LENG**
Executive Director

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

3. **DATO' JORGEN BORNHOFT**
Independent Non-Executive Chairman

4. **LEE WEE YONG**
Executive Director

Standing from left to right

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

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

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

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

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

DATO' JORGEN BORNHOFT

Independent Non-Executive Chairman

Dato' Jorgen Bornhoft, male, a Dane, aged 77, 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. 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 2018.

He attended all the 5 board meetings held during the financial year ended 31 December 2018.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 64, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and assumed the current position since 31 March 2005.

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

Datuk Edward Lee graduated with a degree in Bachelor of Arts from the McMaster University in Canada in 1977. He joined the Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1980, became the group chief operating officer in 1995 and was the managing director from 31 March 2005 to 31 January 2007.

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 43 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 2018.

He attended all the 5 board meetings held during the financial year ended 31 December 2018.

LEE WEE YONG

Executive Director

Lee Wee Yong, male, a Malaysian, aged 71, 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 2018.

He attended all the 5 board meetings held during the financial year ended 31 December 2018.

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 50, 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 2018.

She attended all the 5 board meetings held during the financial year ended 31 December 2018.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 62, 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 43 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 2018.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2018.

LT GEN (R) DATUK ABDUL AZIZ BIN HASAN

Independent Non-Executive Director

Lt Gen (R) Datuk Abdul Aziz Bin Hasan, male, a Malaysian, aged 73, 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 2018.

He attended all the 5 board meetings held during the financial year ended 31 December 2018.

DATO' MOHAMMED BIN HAJI CHE HUSSEIN

Independent Non-Executive Director

Dato' Mohammed Bin Haji Che Hussein, male, a Malaysian, aged 68, 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 also the independent non-executive chairman of Gamuda Berhad, an independent non-executive director of Tasek Corporation Berhad, Bank of America Malaysia Berhad and CapitaLand Malaysia Mall REIT Management Sdn Bhd which manages CapitaLand Malaysia Mall Trust, a real estate investment trust listed on Main Market of Bursa Malaysia Securities 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 held 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 2018.

He attended all the 5 board meetings held during the financial year ended 31 December 2018.

LEOW MING FONG @ LEOW MIN FONG

Independent Non-Executive Director

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 69, 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 an independent non-executive director of KSK Group Berhad and Jawala Inc, a company incorporated in Labuan and listed in the Singapore Exchange Securities Trading Limited as well as an independent non-executive director of Canadia Bank PLC 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 2018.

He attended all the 5 board meetings held during the financial year ended 31 December 2018.

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 53, 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 the Advanced Management Program at The Wharton Business School, University of Pennsylvania, USA and the Senior Executive Finance Program at University of Oxford, United Kingdom. He is also a Chartered Banker (Asian Institute of Chartered Bankers).

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

Dato' Wan Mohd Fadzmi does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2018.

SENIOR MANAGEMENT TEAM

Sitting from left to right

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

2 **CHEAH YEE LENG**
Executive Director

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

4 **LEE WEE YONG**
Executive Director

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

Standing from left to right

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

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

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

9 **AU SIEW LOON**
Chief Financial Officer

10 **VOON THAU VUI**
Chief Executive
FERTILIZERS TRADING BUSINESS

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

12 **TAI AH CHAI**
Chief Executive
GENERAL TRADING BUSINESS

13 **YONG TEAK JAN**
Chief Operating Officer
CERAMIC TILES BUSINESS

Note: Please refer to pages 52 to 54 for Datuk Edward Lee Ming Foo, JP, Lee Wee Yong and Cheah Yee Leng's profile.

HARALD UWE BEHREND

Group Chief Operating Officer & Chief Executive – Automotive Division

Harald Uwe Behrend, male, a German, aged 58, is the group chief operating officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 2 January 2013.

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

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

Mr. Behrend does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

AU SIEW LOON

Chief Financial Officer

Au Siew Loon, male, a Malaysian, aged 57, is the chief financial officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 3 September 2012.

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

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

Mr. Au does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

AU YONG SIEW FAH

Chief Executive – Plantation Division

Au Yong Siew Fah, male, a Malaysian, aged 68, is the chief executive of the plantations division of Hap Seng Consolidated Berhad (HSCB), Hap Seng Plantations Holdings Berhad (HSP), and was appointed to this position on 12 February 2001. Thereafter he was appointed an executive director of HSP on 31 July 2007.

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

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

Currently, Mr. Au Yong holds 291,600 HSCB shares and 180,000 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 2018.

KHOR SOO BENG

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

Khor Soo Beng, male, a Malaysian, aged 56, is the chief operating officer of the property investment & development division (West Malaysia) of Hap Seng Consolidated Berhad and was appointed to this position on 9 December 2013.

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

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

Mr. Khor does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

TAN DUO ZER

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

Tan Duo Zer, male, a Malaysian, aged 61, 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 2018.

PUAN CHEN KECK

Chief Executive – Credit Financing Division

Puan Chen Keck, male, a Malaysian, aged 61, is the chief executive of the credit financing division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 April 2014.

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

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

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

Mr. Puan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

VOON THAU VUI

Chief Executive – Fertilizers Trading Business

Voon Thau Vui, male, a Malaysian, aged 56, is the chief executive of the fertilizer trading business 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 2018.

TAI AH CHAI

Chief Executive – General Trading Business

Tai Ah Chai, male, a Malaysian, aged 61, is the chief executive of general trading business 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 2018.

YONG TEAK JAN

Chief Operating Officer – Ceramic Tiles Business

Yong Teak Jan, male, a Malaysian, aged 48, is the chief operating officer of ceramic tiles business of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 November 2017.

Mr. Yong is a non-independent non-executive director of Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. He is currently the chief operating officer of Malaysian Mosaics Sdn Bhd and the director of operations (East Malaysia) for the quarry, asphalt and brick business 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 2018.

ANDREW TALLING

Chief Operating Officer – Quarry, Asphalt and Bricks Business

Andrew Talling, male, British, aged 54, is the chief operating officer of the quarry, asphalt and bricks business of Hap Seng Consolidated Berhad and was appointed to this position on 18 December 2017.

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

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

Mr. Talling does not have any family relationship with any director and/or major shareholder nor does he have any conflicts of interests with the Company. He has not been convicted of any offense in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

Corporate Governance Approach

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

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

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

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

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

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

Summary of Corporate Governance Practices

The Company has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2018 except for the following:

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

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

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

Responsibilities of the Board

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

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

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

The Board and Board Committees meet regularly to deliberate on matters under their respective purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Company, including business plan, annual budget, financial results, risk management status report, sustainability report and key performance indicators. Attendance of the Board meetings and Board Committees meetings during the financial year ended 31 December 2018 is outlined below:

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

Board/Board Committee Chairman   Member

[1] *Resigned on 31 March 2018.*

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

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

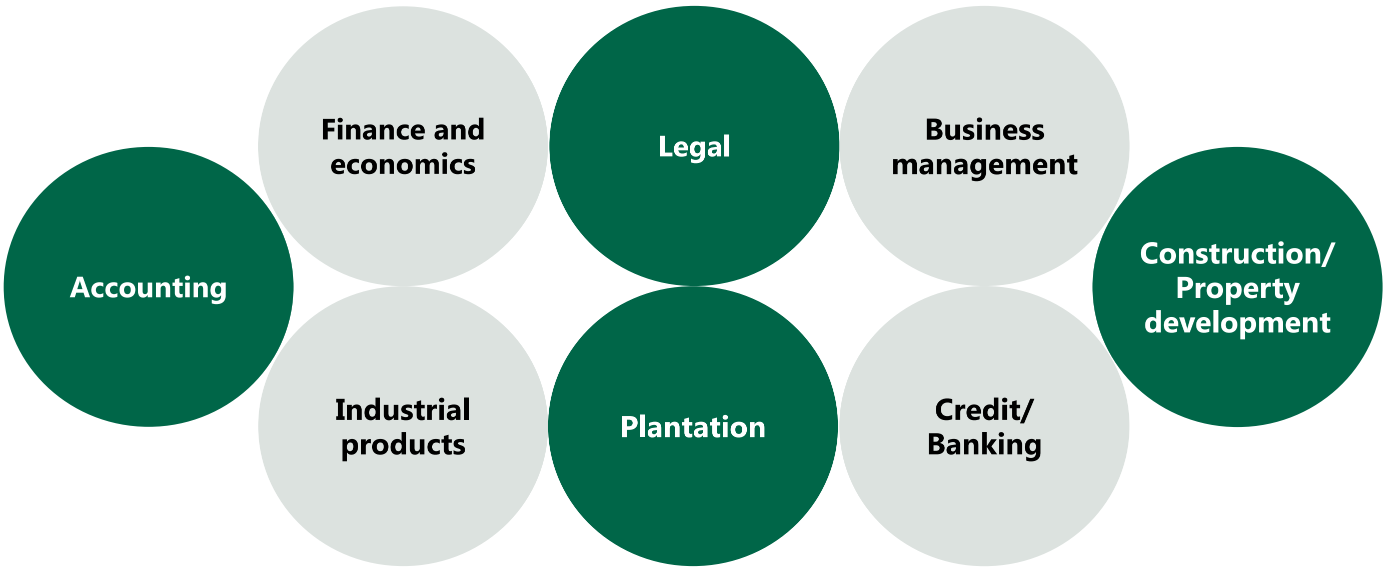
In discharging its responsibilities, the Board is assisted by two qualified and competent company secretaries that act as counsels on corporate governance matters. Management provides directors with adequate and timely information prior to meetings to enable them to make informed decisions.

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

Board Composition

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

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



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

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

Dato' Mohammed Bin Haji Che Hussein, having served as an independent non-executive director of the Company for more than 9 years, has expressed his intention to resign from the Board upon conclusion of the forthcoming annual general meeting ("AGM").

On the other hand, Dato' Jorgen Bornhoft, having served as an independent non-executive chairman of the Company for more than 12 years, will be seeking shareholders' approval by way of a two-tier voting process at the forthcoming AGM for him to continue in office as the independent non-executive chairman of the Company until the conclusion of the next AGM.

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

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

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

Remuneration

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

Audit Committee

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

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

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 ("Risk Management Committee") takes responsibility for risk management, building upon already established structures and mechanisms to implement the processes for identifying, evaluating, monitoring and reporting of risks as well as to take appropriate and timely corrective actions as required. The managing director assumes the role of chairman of the Risk Management Committee while the chief executives lead the risk management function of the various business units. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the AC to facilitate timely assessment.

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

Communication with Stakeholders

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

Conduct of General Meetings

AGM provides the Board with the opportunity to engage shareholders by sharing the Company's financial and operational performance for the past financial year.

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

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 2018 are as follows:

Independence of the Board and Board Committees

In 2018, the Company effected various amendments to its constitution to align the same with the Companies Act 2016 and the latest Main Market Listing Requirements. Amongst others, the constitution has adopted a two-tier voting process to determine independence of independent directors' whose tenure has reached 12 years or beyond.

In line with the MCCG, the Company has also taken steps to ensure that the chair of the Board, AC and NC respectively is assumed by different individuals.

Review of Board and Board Committees' policies and procedures

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

Professional development of directors

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

The list of training programmes were attended by the Board members during the financial year ended 31 December 2018 are outlined below:

Name	Programme title	Date
Dato' Jorgen Bornhoft	HSBC Private Banking Investment Outlook Pivot to Asia – What and the How of Investing in 2018	23 January 2018
	Directors' Continuing Education Programme 2018	27 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	2019 Budget: What you need to know: The Economy, Capital Market And You	14 November 2018
Datuk Edward Lee Ming Foo, JP	HSBC Private Banking Investment Outlook Pivot to Asia – What and the How of Investing in 2018	23 January 2018
	HSBC Private Banking: Mid-Year Investment Outlook Roadshow	28 June 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Malaysia Conference 2018 – Malaysia: A New Dawn	9 October 2018
	10 years after the Global Financial Crisis: Lessons Learnt or Forgotten?	12 November 2018
Lee Wee Yong	Sales Tax and Service Tax Briefing	16 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Tax and Business Summit 2018	8 November 2018
Cheah Yee Leng	Sales Tax and Service Tax Briefing	16 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Technical Briefing for Company Secretaries of Listed Issuers: Key Amendments to Listing Requirements arising from Companies Act 2016	13 September 2018
	Introduction to Malaysian Business Reporting System	4 October 2018
	No Par Value & Issuance of Shares and Other Securities	10 December 2018
	Nuts and Bolts of Disclosure Obligations of Directors	13 December 2018
Datuk Simon Shim Kong Yip, JP	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	The 36th Cambridge International Symposium on Economic Crime of which Datuk Simon was one of the speakers	2 - 9 September 2018

Name	Programme title	Date
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	Luncheon Talk 2018: Environmental, Social and Corporate Governance Investing For Sustainable Returns	12 July 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Green Financing: Funding Green Projects through the Islamic Capital Market	17 October 2018
	2019 Budget: What You Need to Know – The Economy, Capital Market and You	14 November 2018
Dato' Mohammed Bin Haji Che Hussein	Information Awareness Session: Cyber Security Risk – The New Norm	12 February 2018
	Navigating the VUCA World	1 March 2018
	BNM Dialogue Forum: Transformasi Nasional 2050 (TN50) Dialogue Session for the Finance Cluster	9 March 2018
	BNM's 2017 Annual Report/Financial Stability and Payment Systems Report Briefing	29 March 2018
	Business Foresight Forum (BFF) 2018	8 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	2nd Distinguished Board Leadership Series: The Director as Coach and DNA of a Board Leader	30 October 2018
Leow Ming Fong @ Leow Min Fong	LCD 1 – Listed Company Director Essentials	24 January 2018
	A.I and Machine Learning for Tranforming SMEs: How Accountants Can Become Trusted Advisors for their Clients	17 April 2018
	Accounting for Agriculture Sector: For both Private and Non-Private Entities	27 June 2018
	2-day Training on Risk-based Internal Audit and Fraud Investigations for Internal Auditors of Canadia Bank PLC	19 & 20 July 2018
	Advocacy Programme on CG Assessment (Malaysian PLCs)	9 August 2018
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	Audit Committee Conference 2018	27 March 2018
	Global Banking Conference: Banking in the Digital Age – Disruption. Reinvention. Revolution	10 & 11 July 2018
	China Conference: China in Southeast Asia – Building cooperation, managing complexities	10 & 11 October 2018
	Islamic Finance for Board of Directors Programme	14 & 15 November 2018
	Bursa Malaysia Breakfast Series: Non-Financials – Does it Matter?	5 December 2018

Corporate Governance Priorities (2019 and Beyond)

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

Short and medium term plan (one to two years)

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 four 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.

Technology to Facilitate Remote Shareholders Participation

The Board is of the view that shareholders' meeting is a key platform for shareholders to exercise their voting rights and to have an active engagement with the Board. However, the Board is of the view that the Company is not ready at this stage to adopt the various technologies to facilitate voting in absentia and/or remote participation by shareholders in general meeting. Shareholders are encouraged to attend the general meetings in person or by proxy.

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 2018 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMICG") which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

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

Board's Responsibility

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

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

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

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

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

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

Risk Management

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

Members of the group risk management committee comprise the following:

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

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

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

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

Risk Management (Continued)

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

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

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

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

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

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

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

Internal Control

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal Audit Function

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal Audit Function (Continued)

Hafary Holdings Limited ("Hafary"), the Group's 50.82% subsidiary listed on the Singapore Stock Exchange, outsources its internal audit function to a professional advisory firm, to carry out the review on the system of internal controls and key business processes of Hafary and its subsidiaries ("Hafary group"). The internal auditors, who have unrestricted access to the Hafary group's documents, records, properties and personnel, reports directly to Hafary's audit committee.

The total costs incurred for the internal audit function by the Group in respect of the financial year ended 31 December 2018 was approximately RM4.03 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 83 to 87 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, *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 2018, 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.

AUDIT COMMITTEE

Members of the Audit Committee

Dato' Mohammed Bin Haji Che Hussein	(Independent Non-Executive Director) – Chairman
Dato' Jorgen Bornhoft	(Independent Non-Executive Director)
Mr. Leow Ming Fong @ Leow Min Fong	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-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 2018, 5 meetings were held. Details of the attendance of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 68 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 2018

The works of the Audit Committee during the financial year ended 31 December 2018 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 21 internal audit reports presented by the internal auditors at the quarterly Audit Committee meetings covering the processes of the Group's business units and is satisfied with the recommendations and actions taken by the management in addressing the issues highlighted.

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

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

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

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

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

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

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

- Reviewed the suitability of the external auditors and was satisfied with the suitability of the external auditors, Messrs Ernst & Young 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 2018

Summary of works of the internal audit function for the financial year ended 31 December 2018 are set out in the Statement on Risk Management and Internal Control on pages 76 to 82 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
Mr. Leow Ming Fong @ Leow Min Fong	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)

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 2018, 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 2018

The activities of the Remuneration Committee during the financial year ended 31 December 2018 are summarised below:

- Reviewed the remuneration policy of the executive directors as well as the industry forecast for 2018/2019 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 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 2018 and their respective proposed increments for the financial year commencing from 1 January 2019 based on the remuneration policy of the Company and industry forecast for 2018/2019.

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
Dato' Jorgen Bornhoft	(Independent Non-Executive Director)
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.

Meeting

During the financial year ended 31 December 2018, 1 meeting was held and all the Nominating Committee members were present.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2018

The activities of the Nominating Committee during the financial year ended 31 December 2018 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, having served as the independent non-executive chairman of the Company for 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 Bursa Malaysia Securities Berhad Main Market 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 by way of a two-tier voting process to be obtained at the forthcoming annual general meeting ("AGM").

- Dato' Mohammed Bin Haji Che Hussein, having served as an independent non-executive director of the Company for more than 9 years, has expressed his intention to resign from the Board upon the conclusion of the forthcoming AGM.

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

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

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

  (i) Datuk Edward Lee Ming Foo, JP;
  (ii) Mr. Lee Wee Yong; and
  (iii) Lt Gen (R) Datuk Abdul Aziz Bin Hasan.

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

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

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

The diverse nature of our business operations at Hap Seng Group means that we shape and are shaped by a great variety of economic, environmental and social factors in every aspect of our business. Our approach to sustainability is therefore multi-faceted and spans all business units in order to ensure that our goal of creating shared value is fully realised across these three impact areas. Our individual business units are committed to monitoring their specific impacts and working towards distinct goals while remaining consistent with the Group's overarching core values and mission to achieve sustainable growth.

We have long sought to contribute to nation building efforts through our capacity building activities and investments in economic growth. In 2018, we aligned the Group's material sustainability matters with the United Nations Sustainable Development Goals (SDGs). In doing so, we recognise our responsibilities as good corporate citizens and acknowledge the role that we can play in meeting development needs where we operate. In order to deliver on our sustainability commitments, we remain focused on continuously improving our policies and practices through sound year-on-year qualitative and quantitative data tracking.

ABOUT THIS STATEMENT

This is our third year of reporting on our efforts to address the economic, environmental and social (EES) impacts of our operations in Malaysia. This statement has been prepared in accordance with the amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to the Sustainability Statement in Annual Reports. Unless otherwise stated, the reporting period of this statement is from 1 January 2018 to 31 December 2018.

This statement covers activities conducted by all our divisions excluding Hap Seng Plantations Holdings Berhad, which discloses its activities in a standalone sustainability report and can be viewed at https://www.hapsengplantations.com.my/sustainability-report.html. The key highlights of that report will be included in this statement as part of our Group disclosure.

For our Sustainability Statement, all trading-related operations, which are building materials, fertilizers and chemicals, will be consolidated as Trading Division in 2019 only.

The scope of this statement is confined to our operations within Malaysia, as these make up 80% of the Group's revenue. Our subsidiary Hafary Ltd., which is listed on the Singapore Exchange, publishes its own sustainability disclosure via its Annual Report.

SUSTAINABILITY GOVERNANCE

While each of our business divisions has its own industry-specific challenges and opportunities, all divisions share the Group's commitment to sustainability. Within each division, Chief Executives are responsible for managing sustainability issues and reporting directly to the Group Managing Director. At the Group level, sustainability issues are consolidated and communicated by Group Risk and Group Corporate Social Responsibility (CSR). Since 2017, a sustainability agenda is tabled at the Board level annually. We have established a number of processes and systems to manage sustainability across individual business units and the Group as a whole. Examples of these include Malaysian Mosaics Sdn Bhd's (MMSB) standalone Sustainability Policy to outline its overarching sustainability commitments and Hap Seng Building Materials Sdn Bhd's focused Environmental Policy to provide guidelines for operational environmental management.

Code of Conduct (The Code)

Appropriate standards of behaviour and ethical practices within the Group are outlined in our Code of Conduct. The Code defines clear boundaries for expected conduct and guides our staff to act with honesty and integrity to minimise conflicts of interest and other risks.

The Code, which is included in the Board Charter, is available to all staff at all times via the company website (www.hapseng.com). All new staff are introduced to the Code during their induction to the Group. Further guidance for employees is also provided through the Employees' Handbook, Letter of Employment, Employee Personal Data Privacy Policy, and Computer Access and Usage Policy, all of which outline the expected standards of behaviour within the group.

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

2018 Sustainability Highlights at Hap Seng Plantations

Hap Seng Plantations Holdings Berhad's ("Hap Seng Plantations") sustainability journey started in 2015 with its standalone reporting detailing our commitment, efforts and achievements.

Guided by our sustainability strategy, we have been making significant progress in meeting our internal and external commitments. Our sustainability focus in 2018 was two pronged – one was to monitor established policies to measure the effectiveness of the policies while the other was to continuously improve on all established sustainability parameters within our operations. Our sustainability achievements for 2018 are as follow:

SUSTAINABILITY HIGHLIGHTS 2018

Launched updated Environmental Policy and Code of Conduct and Business Ethics Policy

Reviewed Stakeholders Grievance Procedure
publicly available on Hap Seng Plantations website at https://www.hapsengplantations.com.my/download/sustainabilitypolicies/BI_Grievances_procedure_31.3.18.pdf

Recorded zero fatalities in 2018

Marked the achievement of a **46%** reduction in lost time accidents since 2014

Plantations Central Laboratory attained **MS ISO/IEC 17025 certification**

Achieved an increase in Hap Seng Plantations' ranking in the ZSL Sustainable Palm Oil Transparency Toolkit

Among the earliest palm oil companies to be **100% MSPO** certified (all mills and estates) by 2018

Achieved GHG emissions intensity of between **1.0 to 1.5 tonnes** CO_2e /tonnes Crude Palm Oil by 2018 (ahead of targeted timeline of 2021)

SUSTAINABILITY HIGHLIGHTS 2017

100% of mills are RSPO and MSPO-certified

100% of mills are ISCC EU-certified

91% of our planted area is certified according to RSPO Principles and Criteria

Reductions in GHG value contributed from the commissioning of **two biogas facilities**

100% of mills are HACCP-certified

STAKEHOLDER ENGAGEMENT

Our stakeholders are the individuals, groups and communities who are impacted by or impact our Group's operations. These include the Board of Directors, employees, customers, regulators and government bodies, shareholders, suppliers, communities and media. We maintain a number of channels through which stakeholder feedback can be received and adjust our management activities accordingly based on the feedback that is provided. The information collected through this engagement process guides the Group's EES initiatives.

Board of Directors

Why Compliance with various regulatory codes and listing

How Board meetings, Annual General Meeting, company and analysts reports

Employees

Why Improve organisational and employee performance. Promote greater trust. Increase job satisfaction. Support equal opportunity and diversity. Foster a safe and healthy workplace. Remain an attractive employer

How Town hall meetings, Code of Ethics, internal communications, meetings, performance reviews, team building, conferences, interviews, peer reviews

Customers

Why Identify customer interests. Gather feedback on current practices. Understand customer experiences

How Surveys, suggestion box, social media, newsletters, visitation and customer feedback or complaints

Regulators and Government Bodies

Why Compliance to laws, regulations and guidelines

How Conferences, meetings, briefings, professional courses and site visit by officers, surveys, press releases

Shareholders, Investors and Analysts

Why Uphold corporate values. Disclose timely, concise and relevant information

How Meetings, surveys, press releases, conferences, analyst briefing, Annual General Meeting

Suppliers

Why Secure quality goods. Identify new partnerships in line with our values

How Meetings, phone calls, messaging, surveys, conferences

Communities

Why Supporting and engaging with local communities which we work in

How Surveys, town hall meetings, community development programmes, press releases, donations, seminars, conferences, meetings

Media

Why Partnering with media for press releases and advertising purposes

How Press releases, media invites

PATNERSHIPS AND MEMBERSHIPS

Association	Our Involvement	Information
Federation of Public Listed Companies (FPLC)	Hap Seng Consolidated Berhad - Member	FPLC provides Hap Seng Group with a platform to interact and organise dialogues with the public as well as regulatory and other bodies such as the Minority Shareholder Watchdog Group.
Malaysia-German Chamber of Commerce (MGCC)	Hap Seng Consolidated Berhad - Member	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.
Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO)	Hap Seng Plantations Holdings Berhad - Member	The RSPO and MSPO act as platforms for engagement on certified sustainable palm oil matters.
Federation of Malaysian Manufacturers (FMM)	Malaysian Mosaics Sdn Bhd - Council Member - Chairman - FMM Malaysian Ceramic Industrial Group (FMM MCIG) - Committee member - CITP (Construction Industry Transformation Programme) initiative Group on Materials Standards	The FMM acts as a voice for the manufacturing and industrial service industry and is a key focal point for those seeking links with Malaysian manufacturers for investment, trade and services.
Malaysia Retail Chain Association (MRCA)	Hap Seng Star Sdn Bhd - Treasurer - General	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.
Malaysian Automotive Association (MAA)	Hap Seng Star Sdn Bhd - Member	MAA assists and advises members in regards to any matter connected with the automotive industry and generally promote, foster and protect the interests of its members.
Fertilizer Industry Association of Malaysia (FIAM)	Hap Seng Fertilizers Sdn Bhd - Committee Member	FIAM works to promote Malaysian fertilizers, foster close cooperation between the government and other authorities, enhance trade facilities, improve product quality and standards and to provide industry-related services.
Real Estate & Housing Developers' Association (REHDA) Malaysia	Hap Seng Land Development (Puchong) Sdn Bhd - Member	REHDA is recognised as the leading representative body for private property developers, being involved primarily in advocacy and governance.
Sabah Housing And Real Estate Developers Association (SHAREDA)	Hap Seng Properties Development Sdn Bhd - Member	SHAREDA brings together developers, pooling their expertise and resources to ensure that the industry takes up and plays its role as a key mover of the economy.
International Real Estate Federation (FIABCI) Malaysia	Hap Seng Land Sdn Bhd - Member	FIABCI Malaysia has grown since 1975 with its objective to foster goodwill and understanding with international organisations and promote progress in developments through better systems.

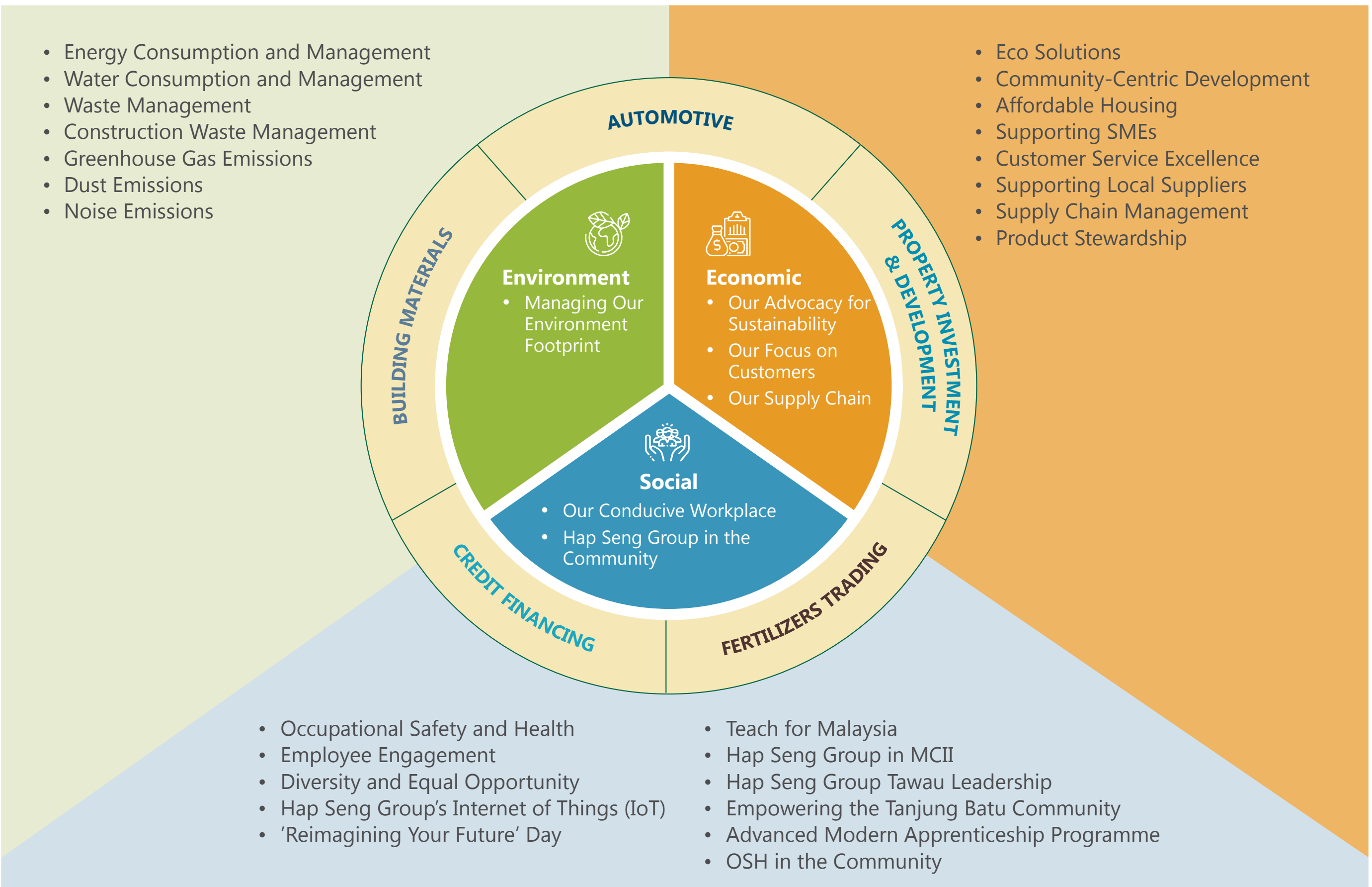
MATERIALITY

The Group's material sustainability issues were first identified in 2016 during a two-day materiality discussion with key management and data owners. The key sustainability issues and aspects identified through the session were tabled and approved by Executive Directors and disclosed in the 2016 Sustainability Statement.

In subsequent years, material issues have been reviewed and updated based on analysis of global trends, industry-specific issues, key internal and publicly available documents and changes to the risk register. During this process, Group CSR discusses, evaluates and selects possible new material issues and opportunities, aided by a gap assessment of the most recent annual sustainability statement.

In 2018, our material issues were updated as a result of multiple engagement processes with different levels of internal stakeholders, including key management and data owners. The update illustrated the inclusion of Supply Chain Management and Product Stewardship as key impact areas under the Supply Chain category, by showing how we manage products and sourcing in a sustainable manner. Additionally, Industrialised Building System (IBS), was grouped under Green Buildings and no longer stood as a standalone topic. The Hap Seng Star Mercedes-Benz Advanced Modern Apprenticeship Programme is now reported under Hap Seng Group in the Community as it provides opportunities and training for students. Lastly, Labour Management is absorbed under Employee Engagement to streamline the topics covered under Our Conducive Workplace.

OUR MATERIAL ISSUES



HAP SENG GROUP AND THE SDGs

Fast-moving global trends such as climate change, urbanisation, demographic change and globalisation are rapidly reshaping our planet and society. Ensuring a sustainable future in the face of these trends will require a concerted international effort, something the United Nations hopes to guide with their SDGs. These 17 Goals provide a framework for action towards peace and prosperity by targeting the most salient economic, social, environmental and governance concerns across the globe. By nature, the goals are universal and interconnected and will require contributions from all levels of society in order to be realised.

As a diversified group with businesses spanning multiple sectors, we are uniquely positioned to make contributions across a wide range of SDGs through our products and solutions, environmental efforts, community engagement activities and the responsible operation of our business. Consequently, in 2018 we aligned our sustainability actions with the relevant SDGs in order to both demonstrate our commitment to sound corporate citizenship and ensure that we are delivering solutions that are in line with global priorities.

ECONOMIC

Responsible business practices in the marketplace.

OUR ADVOCACY FOR SUSTAINABILITY

As a conglomerate, we aim to ensure that our wide range of business activities is economically, environmentally and socially sustainable. From the products we make to the buildings we build, we strive for greener, more efficient and longer-lasting solutions.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Advocacy for Sustainability	Eco-solutions • Green Buildings • Green Mobility • Green Products	• Property Investment and Development • Automotive • Building Material
	Community-Centric Development	• Property Investment and Development
	Affordable Housing	
	Supporting SMEs	• Credit Financing

KEY ACHIEVEMENTS IN 2018:

BSI was awarded the **Best Township Award** by the SHAREDA

1,737 units of affordable housing was launched

5.3 million m² tiles were manufactured using waste materials

LINK TO UN SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ECO-SOLUTIONS

Property Investment and Development

Automotive

Building Materials

Our mission is to deliver products and solutions that meet the demands of the current market with minimal environmental impacts. In this way, we hope to sustainably and profitably create value for our stakeholders.

GREEN BUILDINGS

We adhere to the Leadership in Energy and Environmental Design (LEED) and/or Malaysia's Green Building Index (GBI) certification requirements for all our new developments in Kuala Lumpur. In 2018, the Nadi Bangsar Service Residence was awarded GBI certification in July, bringing the Group's total number of LEED and GBI certified projects to five. The project design maximises the use of natural lighting through the use of glass panels and includes a green wall for aesthetic and air purifying purposes.

In recognition of our work, Hap Seng Land was awarded The BrandLaureate Signature Brand Award 2017-2018 in the Real Estate - Property category while HSCB was a finalist in the MalaysiaGBC Leadership in Sustainability Awards 2018.

Additional projects for which the Group intends to apply for GBI and/or LEED certification include:

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

Industralised Building System (IBS)

IBS is a construction technique in which individual components are manufactured in a controlled environment, either on or off-site, before being incorporated into construction works. This technique allows high-quality projects to be constructed more quickly with smaller impact on the natural environment and requires only a few skilled workers for the installations. IBS remains one of the main focus areas of the Malaysian construction sector under the Construction Industry Transformation Programme (CITP) 2016-2020. Our projects, current and in the immediate future, that employ IBS are:

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

GREEN MOBILITY

We promote sustainability in the automotive industry through Hap Seng Star, which offers hybrid solutions. To promote the uptake of these vehicles in the Malaysian society and for our customers' convenience, we provided a total of 31 charging stations spread across all of our dealerships.

We further strengthened our commitment towards sustainability through the certification of Hap Seng Star Sdn Bhd for ISO 9001 and ISO 14001. Other methods by which we promote sustainability in our automotive division include:

- Eco-friendly water-based paint instead of chemical solvents
- Machines and equipment that recycle solvent waste
- Air-conditioner recycling equipment that prevents harmful gases from being released into the atmosphere while also reducing costs and lessening the generation of waste
- The installation of rainwater harvesting systems
- Installation of solar panels at our Kinrara dealership
- Disposal of used oil through authorised recycle firm
- Scrap metal recycling

We use the fully automated Drester Gun Cleaner, which has the ability to collect all used solvent, thinner and water for recycling and reuse purposes. This functionality greatly reduces solvent and thinner wastage, overall pollution and cost while also increasing productivity by allowing staff to attend to other work during the self-cleaning process.

GREEN PRODUCTS

We are committed to producing high-quality, durable and environmentally-friendly products such as our breakthrough green tile, that meets our business and sustainability goals. All of the products produced from MMSB's Plant 3 (MMSB3) are now certified with Standard and Industrial Research Institute of Malaysia's (SIRIMs) Eco Label and Singapore Environment Council's Green Label. Furthermore, all of MMSB's processes adhere to a zero-waste policy which includes the harvesting of rainwater for use in production practices and the recycling of waste heat from kilns to dryers. In 2018, 35,009 MMbtu waste heat was recovered at MMSB3, representing savings of approximately RM1.1 million per annum from heat recovery at this facility.

In 2018, the group produced a total of 5.3 million m^2 of green products, representing revenue of RM110.0 million, or 36% of total revenue. A further RM837,000 was saved through the use of recycled material for the creation of these tiles, which are produced from recycled powder, dust powder, green tiles and filter cakes.

These innovations have not gone unrecognised by the industry as MML tiles continue to garner various awards. MMSB was awarded the World Branding Awards - Brand of the Year 2018-2019 as well as Enterprise Asia's Asia Responsible Enterprise Awards 2018 under the Green Leadership Category for implementing the waste heat recovery system.

Number of Green Products Produced

Types of Green Products	2016	2017	2018
Number of recycled ceramic materials produced (m^2)	5.5 million	6.1 million	**5.3 million**
Number of bricks which use waste materials produced (m^2)	16.1 million	59.8 million	**54.2 million**

Our green products extend beyond tile manufacturing to include the production of bricks using waste materials by Hap Seng Clay Products Sdn Bhd. These bricks are manufactured at our Sedenak Brick Factory in Johor and 10% of its contents are from ceramic materials recovered from the polishing wastewater treatment plant and other powder waste that is not viable for ceramic tile production. Further to this, our Sedenak Brick Factory also uses coffee waste in the production of common bricks, with coffee waste accounting for approximately 6% of the raw production material for the bricks. Due to the calorific value of coffee waste, the bricks would require less fuel consumption to fire the bricks, thus enabling us to reduce fuel usage. In 2018, we produced approximately 155.4 million bricks, of which 54.2 million or 35%, were bricks which were produced using waste materials. We also used approximately 1.4 million litres of recycled fuel oil for the firing of our bricks.

COMMUNITY-CENTRIC DEVELOPMENT

Property Investment and Development

Our townships are designed and developed to meet the needs of the communities by creating townships with easy access to transportation and amenities within a clean and comfortable environment. One successful example of this integrative approach is the Bandar Sri Indah (BSI) development, which was designed to ensure that the area's natural topography is protected, while also providing well-balanced infrastructure and amenities for a vibrant and self-contained community.

With this development strategy in mind, we continued to enhance the residential experience at BSI in 2018. To do so, we added the BSI Orchid Garden to the Bandar Sri Indah Eco Park and constructed a petrol station for residents' convenience. These new features are in addition to the Southern Central Lake Garden that was developed for BSI in 2017, which was designed to meet

the needs of the community and includes amenities such as a jogging track and a gazebo. Upon its completion, BSI will serve as a benchmark for excellence in integrated living and sustainable development, with an extensive education hub, wet and dry market, community sports complex, religious complex, and intercity bus terminal.

In recognition of our excellence in contributing towards the growth and development of the state, BSI was awarded the Best Township Award by SHAREDA at the 2018 SHAREDA Excellence Awards ceremony.

AFFORDABLE HOUSING

Property Investment and Development

We endeavour to create housing solutions that are accessible to all levels of society and are committed to developing properties that are affordable for low and middle-income households. Whenever feasible, we support the government's aspirations to provide affordable housing through Sistem Perumahan Penjawat Awam Malaysia (PPAM) and MyHome schemes.

In 2018, the last phase of the D'Alpinia Integrated Development (D'Alpinia) was launched, which comprised 472 units of affordable apartments in the 76-acre Puchong South township under the Rumah Selangorku scheme. In addition to this, we also launched 493 units of affordable single-storey landed residential units in Ria Heights and 772 units of affordable terrace houses within the BSI mixed development in Tawau. This brings the total number of affordable housing units launched under the BSI development to over 3,000.

Approximately 512 units of affordable low-rise units and double-storey terrace houses are scheduled to be launched in the coming years.

SUPPORTING SMEs

Credit Financing

We recognise that Small and Medium Entreprises (SMEs) play an important role in promoting economic growth and creating opportunities for employment in the country. To support this critical part of the Malaysian economy, 77% of all Hap Seng credit financing division's financial services are in support of SMEs. In 2018, we recorded approximately 17.9% repeat customers for our financial services. To increase our customer base in the SMEs category in 2018, we focused on increasing our Industrial Hire Purchase (IHP) business by widening our vendor network marketing and by targeting the manufacturing, transportation, construction and infrastructure sectors.

ECONOMIC

Responsible business practices in the marketplace.

OUR FOCUS ON CUSTOMERS

Maintaining positive customer relationships promotes customer satisfaction and by extension, customer loyalty, which are crucial to our business success. We are therefore focused on delivering the best possible customer experience from our relevant business divisions to ensure each and every customer is left with a lasting positive impression.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Focus on Customers	Customer Service Excellence	• Property Investment and Development • Credit Financing • Automotive

KEY ACHIEVEMENTS IN 2018:

80% of the customers surveyed for Phase 1 of Kingfisher Putatan Development would recommend Hap Seng Land's products to their friends and/or family

'Champion Ranking' for three out of five categories in the 2018 Mercedes-Benz SEA II Skills Competition

5% increase in customers subscribing to the extended warranty programme for automotive

CUSTOMER SERVICE EXCELLENCE

Property Investment and Development

Automotive

Credit Financing

Excellent customer service is emphasised throughout the Group's operations. We welcome customer feedback and make the effort to ensure that such feedback is collected, reviewed and appropriately acted on. For a positive customer experience and to protect the security of customers' personal data, Personal Data Protection Act (PDPA) forms are distributed to relevant customers.

PROPERTY INVESTMENT AND DEVELOPMENT

We conduct customer surveys for both our property investment as well as property development sections. In 2018, we surveyed the Phase 1 properties of our Kingfisher Putatan Development located in Sabah, where 81 out of 120-unit owners participated in the survey. The results were extremely positive, showing that 80% of respondents would recommend Hap Seng Land's products to their friends and/or family.

In our property investment section, we conduct annual surveys to gauge tenants' level of satisfaction towards our facilities. Some of the topics covered in the survey included the appearance and condition of the property, the performance of the leasing and management team, the customer service team at the main lobby, building and maintenance team as well as the security and safety team.

We aim to maintain our high-performing position and good reputation by constantly improving our customer service and delivering greater tenant satisfaction. To help us achieve this goal, our sales and customer service staff regularly receive training to further develop their interpersonal skills so that they are able to provide an enhanced customer experience before, during and after sales. We also have initiatives to improve our tenants' satisfaction through events and activities which boost the traffic flow at our investment properties.

We look highly upon the feedback collected from the surveys and focus on obtaining a high response rate from our investment properties. All three of our investment properties have a response rate greater than 90%. In order to obtain feedback from the tenants, we apply constructive approaches to tenants who do not return the survey form by:

- providing tenants with extra forms when the tenants misplaced them and personally collecting the completed forms from them;
- following up closely with the tenant's Department Head via call and visits until the form is submitted;
- provide assistance in explaining the form's content and guiding the tenants on how to fill the form; and
- for tenants who are reluctant to fill up the form, we will explain to the tenant the purpose of the survey form to encourage them to provide feedback.

Customer Satisfaction Survey Results for Property Investment

Investment Properties	Response Rate	Tenant Satisfaction Rate
Menara Hap Seng	97%	79%
Menara Hap Seng 2	91%	80%
Plaza Shell	100%	76%

CREDIT FINANCING

In our credit financing division, we offer innovative products to ensure customer satisfaction. We cater to clients' evolving needs through the provision of customised and innovative term loan products that are specifically tailored to customers. The addition of these new products to our secured term loan portfolio has contributed to a 41% increase in the total amount of loans distributed since the products' introduction mid-2017, indicating that we are accurately meeting the needs of the market.

AUTOMOTIVE

We are committed to meeting the growing needs of customers and have invested in expanding our automotive dealership networks to meet that goal. We strive to continuously provide value to our customers before and after-sales, with the aim of retaining our customers via various programmes such as extended warranties and the Star Care Maintenance Package. In 2018, we offered two different extended warranty programmes and one Hybrid Extended Warranty to suit our customers' various needs. We recorded an increase of 5% in the number of customers subscribing to the extended warranty programmes this year.

For customers' convenience, we also provide flexible maintenance and repair services at select dealerships, including door-to-door service and free shuttle service for customers who elect to have their vehicles serviced at our facilities.

We ensure high quality customer service across the division through our Customer Satisfaction Index (CSI) assessment, which provides a framework for assessing performance and measuring progress. The CSI, which guides all aspects of customer service, helps to ensure customer satisfaction and promote customer loyalty. In 2018, our automotive division reached 86% in the customer loyalty index survey.

Customer Satisfaction Results

Indicator	2016	2017	2018
Average CSI result (%)	95%	96%	**97%**
After-sales CSI (%)	88%	91%	**94.9%**
Customer Loyalty Index (%)	N/A*	83%	**86%**

Note:
Data covers all branches
* *Tracking commenced in 2017*

The data reflects our automotive division's continuous improvements in meeting customers' expectations.

Securing the highest qualified technicians and after-sales support staff is paramount in delivering quality service and maintaining high levels of customer satisfaction. For this reason, we partner with the Mercedes-Benz Malaysia Training Academy to ensure our continued access to knowledgeable and skilled personnel while also sponsoring students enrolled in the Advanced Modern Apprenticeship programme.

Capacity Building for Dealers

Our technicians' skills and qualifications are made evident by the awards we secured in the 2018 Mercedes-Benz SEA II Skills Competition. The competition, which has been held biennially since 2008, brings together Mercedes-Benz dealers from Malaysia and surrounding countries to test their on-the-job skills and competence. The competition was split into five categories: Qualified Maintenance Technician (QMT), Qualified System Technician (QST), Certified Diagnostic Technician (CDT), Certified Service Advisor (CSA) and Qualified Parts Process Specialist (QPPS). Of the 25 finalists, Hap Seng Star claimed 'Champion Ranking' for three out of five categories and was placed in the top spots in four out of five of the categories.

In 2018, Mercedes-Benz Malaysia also held the Dealer of the Year Awards Programme, aimed at recognising the services provided by its 35 dealerships across the country. The programme marks Mercedes-Benz Malaysia's efforts to recognise and reward dealerships for operational excellence and commitment to customer service. During the event, Hap Seng Star's Kota Kinabalu dealership was awarded the most prestigious award, Mercedes-Benz Malaysia Dealer of the Year 2018, in recognition of their achievement in scoring the overall highest scores in all aspects of sales, after-sales, customer satisfaction index, customer loyalty index, business excellence and financial services.

Hap Seng Star's network of dealerships also clinched top position for eight other categories including:

AWARD	CHAMPION	1st RUNNER UP	2nd RUNNER UP
DEALER OF THE YEAR 2018	Kota Kinabalu	Bukit Tinggi	Kinrara
CSI NO. 1 (SALES) - DELIGHTFUL CUSTOMER CARE	Iskandar	Balakong	-
CLI - LOYALTY FIRST	Kota Kinabalu	Kuching	Kinrara
BEST IN BUSINESS EXCELLENCE 2018	Kota Kinabalu	-	-
BEST IN FINANCIAL SERVICES 2018	Bukit Tinggi	-	-
BEST IN CSI & CLI 2018	Kota Kinabalu	Bukit Tinggi	Kuching
BEST IN CUSTOMER SERVICES 2018	Balakong	Kinrara	-
BEST IN SALES 2018	Bukit Tinggi	Jalan Ipoh	Balakong

ECONOMIC

Responsible business practices in the marketplace.

OUR SUPPLY CHAIN

We recognise that in order to fully achieve sustainability in our operations, we must consider the larger system in which they occur. For that reason, we continue to promote sustainability through all levels of our supply chain with focus on the support of local vendors and Group-wide labour management. In 2018, we identified 2 new key impact areas - Supply Chain Management and Product Stewardship - for this material aspect in order to enhance disclosure in specific areas of our supply chain. We have also identified new areas of focus in order to provide assurance to stakeholders with regards to our compliance of local laws and regulation, labour practices, and health and safety.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Supply Chain	Supporting Local Suppliers	• Building Materials
	Supply Chain Management	• Fertilizers Trading
	Product Stewardship	• Fertilizers Trading

KEY ACHIEVEMENTS IN 2018:

100% local suppliers in the Building Materials - Trading Operations

All divisions adhere to local laws and regulation in their supply chain management

LINK TO UN SDGs:

1 NO POVERTY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUPPORTING LOCAL SUPPLIERS

Building Materials

Our diverse range of business operations mean that we are in a position to partner with a variety of local suppliers. In this aspect, we continuously prioritise partnerships with local suppliers in our procurement practices. Through this, we ensure that we are securing the highest quality goods in a timely and cost-effective manner, while also delivering positive benefits to the local economy. Within our building materials trading operations, 100% of our procurement was spent on local suppliers.

Local Supplier Data

Division	Percentage of local suppliers (%)	Percentage of procurement spent on local suppliers (%)
Building Materials - Trading Operations	100	100

PRODUCT STEWARDSHIP

Fertilizers Trading

Our fertilizers are repacked at our Nitrogen, Phosphorus and Potassium (NPK) compaction plant in Lahad Datu and traded and distributed through Hap Seng Fertilizers Sdn Bhd. The plant operation adheres to all local environmental, and health and safety regulations. We ensure that our entire value chain, from material sourcing and procurement, to storage, packaging, mixing and distribution follows all regulations. Care taken during the transportation of our fertilizer products has ensured that less than 1% of material is wasted, presenting no direct impact on the environment.

The fertilizers trading division conducts a Chemical Health Risk Assessment (CHRA) every five years, in accordance to the Occupational Safety and Health Regulation 2000. The CHRA is conducted to identify hazardous chemicals which are stored and handled on the premises, to identify employees who come into contact with the chemicals, to evaluate the efficiency of workplace controls for managing chemicals and to identify any potential health risks due to chemical exposure. The last CHRA was conducted in 2018.

ENVIRONMENT

Conserving our resources for future generations.

MANAGING OUR ENVIRONMENTAL FOOTPRINT

Our commitment to minimising the negative environmental impacts of our operations is a key component of our responsibility as a good corporate citizen. We have been actively monitoring our environmental footprint since the release of our first sustainability statement, and the data we collected through this process is crucial in helping us understand our impacts and identify areas for improvement. Our Board is committed to taking proactive steps towards reducing the Group's energy consumption. Priority activities outlined in the Board Charter include improving energy management in office buildings, promoting environmental awareness among our stakeholders and reducing overseas travel.

We set clear environmental targets for electricity consumption, water consumption and emissions associated with the ceramic tile operations within our building materials division. These targets allow us to measure our environmental impacts and remain crucial in light of the subsidy rationalisation plan by the government on the price of natural gas and electricity. Tracking our water usage also directly improves our ability to manage periods of dry weather in the region where our ceramic tile factories are located.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Managing Our Environmental Footprint	Energy Consumption and Management	• Group
	Water Consumption and Management	• Group
	Waste Management	• Automotive • Building Materials
	Construction Waste Management	• Property Investment and Development
	GHG Emissions	• Building Materials
	Dust Emissions	
	Noise Emissions	

KEY ACHIEVEMENTS IN 2018:

Approximately **477,000 kWh** reduction of electricity sourced from Tenaga Nasional Berhad due to self-generation via the solar panel project at Kinrara Autohaus

219.2 million litres of water saved due to rainwater harvesting practices at Building Materials division

Reduced approximately **555 tonnes** of carton usage at MMSB

LINK TO UN SDGs :

6 CLEAN WATER AND SANITATION

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

ENERGY CONSUMPTION AND MANAGEMENT

Group

Natural gas and electricity are crucial inputs for our building materials, amounting to 27% of each tile's production costs. Lowering our energy consumption is therefore a priority for the reduction of both our environmental impacts and our business costs as we constantly seek new technological solutions. To date, electricity consumption per unit tile production has decreased.

Electricity Consumption by MMSB

Indicator for per unit tile production	2016	2017	2018	2018 Target	Achieved
Electricity consumption (kWh/m^2)*	5.75	5.89	5.56	<6.10	✓

Note:
* *Based on energy utilised in factories only.*

Ceramic Tile Operations Energy Reduction Initiatives

- Machines that consume high amounts of electricity have been fitted with energy meters
- Soft starters and inverter motors are in place to reduce current surges and to regulate voltage when powering up machines and equipment
- Rooms are temperature-controlled
- Compressed air is utilised and maintained such that wastage and leakage is prevented
- Skylights, transparent roofs and LED high bay lights are used for energy-efficient lighting
- A dedicated Energy Committee is in place to plan, manage and closely monitor energy consumption

Our automotive division's solar panel project for Kinrara Autohaus commenced in May 2018. The savings obtained in 2018 from the project were around RM250,000 (approximately 477,000 kWH of electricity).

Electricity Consumption Data for All Divisions

Division	2018 electricity consumption (kWh)
Property Investment and Development	15,608,451*
Credit Financing	335,469**
Automotive	3,815,106***
Fertilizers Trading	642,413**
Building Materials	
• Quarry, asphalt and brick operations	25,032,824**
• Ceramic tile operations	53,637,108
Total	77,059,547

Note:
* *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.*
** *Data covers all Malaysian branches. For quarry, asphalt and brick operations, the data covers only plants and quarry equipment but not the office.*
*** *Covers 11 branches including Kinrara Pre-Owned Centre opened in October 2018.*

NATURAL GAS AND DIESEL

Natural Gas Consumption by MMSB

Indicator for per unit tile production	2016	2017	2018	2018 Target	Achieved
Natural gas consumption (mmBtu/m^2)*	0.11	0.11	0.10	<0.12	✓
Diesel consumption (litres/m^2)*	0.04	0.04	0.04	<0.05	✓

Note:
* *Based on energy utilised in factories only.*

Initiatives by MMSB to reduce consumption of natural gas and diesel include:
- The use of waste heat recovery at kilns to direct heat back into the dryer and spray dryer.
- The use of improved formulas that allow tiles to be fired faster, increasing production output while maintaining product quality.
- The replacement of all gas burner nozzles with improved high-efficiency alternatives.
- Scheduled maintenance of facility infrastructure and equipment to prevent fuel wastage through leaks and promote the efficient use of burners.

The Benefits of Smart Warehousing

Through the implementation of an Automated Storage and Retrieval System (ASRS) in MMSB, we have reduced our diesel and electricity consumption by decreasing the number of manned forklifts used in our operations. Under this system, in which a computer-controlled robotic system stores, sorts and retrieves loads from shelves, stacks and other inventory locations, the efficiency and accuracy of stock retrieval have also improved.

WATER CONSUMPTION AND MANAGEMENT

Group

Water conservation has been a priority for the Group since the early stages of our building materials division, when a lack of water infrastructure made rainwater harvesting a business imperative. Although most of our operations are not water-intensive, a culture of water conservation remains a key part of our organisation, and we take a zero-water waste approach across all our factories. The systems we have in place to reduce water usage are supported by close monitoring of consumption in order to track our efforts and make changes where necessary.

Water Consumption Per Tile Production by MMSB

Indicator for per unit tile production	2016	2017	2018	2018 Target	Achieved
Water Consumption (m^3/m^2)*	0.018	0.017	0.016	≤0.018	✓

Note:
* *Based on water utilised in factories only.*

Water Consumption Data for All Division

Division	2018 Water consumption (m^3)
Credit Financing	889*
Automotive	37,229**
Fertilizers Trading	16,351*
Building Materials (quarry, asphalt and brick operations)	237,415
• Surface water	187,667
• Piped water	49,748
Ceramic tiles operations	152,020
• Surface water and groundwater	31,493
• Piped water	120,527
Total	443,904

Note:
* *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 11 branches including Kinrara Pre-Owned Centre opened in October 2018.*
(Water consumption at property division is not included as it consists of tenants' water consumption.)

We implement rainwater harvesting in both our building materials and automotive divisions. In our quarry, asphalt and brick operations, rainwater is collected from water pits that also serve as sediment basins to protect the water quality of nearby water sources. As a result of our rainwater harvesting efforts, 79% of the water consumed by the quarry, asphalt and brick operations, and 21% of the water consumed by MMSB was from surface water. We also implement Dry Mono technology for chamfering and squaring at MMSB2 and MMSB3, a process that does not require water or chemicals.

Surface Water Usage Data

Building Materials Division	Percentage of surface water usage (%)
Quarry, asphalt and brick operations	79
Ceramic tiles operations	21

WASTE AND EFFLUENT MANAGEMENT

Automotive

Building Materials

Managing solid wastes and effluents in accordance with regulatory requirements is a priority for our business division. We adhere to the Environmental Quality (Scheduled Waste) Regulations 2005 for waste management. Our quarry business also complies with the Department of Environment's (DOE) waste management guidelines.

In addition to properly disposing of waste, we make concerted efforts to reduce or recycle all types of waste generated within our facilities, from office paper to quarry effluents. One example of this is MMSB's Zero Waste Policy, under which waste and rejected materials along the production process are recovered for recycling. MMSB also has a closed loop water management system that collects and treats wastewater to be recycled for use within the plant, meaning that no wastewater is discharged to municipal drains.

At MMSB, waste associated with the packaging of our products is just as significant to us as the waste generated during their production. Our products use only unbleached recycled and recyclable paper cartons for packaging. We reuse our wooden pallets and encourage our customers to return them to be reused. We also recycle packaging materials and have established agreements within our purchase orders and contracts so that rejected MMSB packaging material is collected by vendors for recycling.

At MMSB, we strive to reduce the resources used by purchasing cartons as well as other paper products made from recycled paper. We revised the packaging of our products by increasing the quantity of tiles packed per carton, resulting in a 20% decrease in the number of cartons used in 2018 (approximately 555 tonnes of cartons).

Scheduled Waste At Our Business Divisions*

Division	2016	2017	2018
Automotive (tonnes)	-	123.0**	**190.1**
Building Materials - Ceramic tile operations (tonnes)	106.1	97.4	**83.3**
Total	106.1	220.4	**273.4**

Note:
** Handled by DOE-approved vendors for treatment and/or recovery.*
*** Data covers seven major after-sales centres*

Waste Data From Our Business Divisions*

Division	Waste landfilled	Waste recycled
Automotive (tonnes)	Not available	21,134.0**
Building Materials – Ceramic tile operations (tonnes)	192.4	12,101.0***
Total	192.4	12,122.1

Note:
** Handled by DOE-approved vendors for landfilling and recycling.*
*** Data covers seven major after-sales centres and consists of scrap metals, carton boxes, oil drums, paper and spent plastic.*
**** Data consists of cartons, plastic, metal and filter cake. No filter cake data was recorded for the final quarter as MMSB2 stopped operations in October 2018.*

HSCB, via its in-house green initiative committee parked under Hap Seng Land, has partnered with XUsed to introduce a pilot recycling programme at the Group's Menara Hap Seng and Menara Hap Seng 2 buildings.

XUsed is a waste recycling social enterprise that connects people, schools and organisations with waste buyers. The selling of the waste such as used cooking oil, old newspapers, aluminium cans and bottles will create financial value. Through the collaboration with XUsed, the Group has been able to streamline the recycling process at Menara Hap Seng and Menara Hap Seng 2.

Hap Seng Land's Mobile e-Waste Campaign

Hap Seng Land has been operating their Mobile e-Waste: Old Phone, New Life recycling programme in collaboration with the Malaysian Communications and Multimedia Commission (MCMC) for over two years. Its success led MCMC to name it one of the best performing collection points in the Klang Valley and prompted MCMC to request Hap Seng Land to accept other forms of electrical devices for collection.

CONSTRUCTION WASTE MANAGEMENT

Property Investment and Development

Construction Waste Data

Division	Waste Disposed	Waste Recycled
Property Investment and Development (tonnes)	664*	639*

Note:
** Data covers waste at the construction site of The Aria Luxury Residences, Menara Hap Seng 3, Akasa Cheras South, Jalan Kia Peng service apartment and mixed development at KL Metropolis Plot 5A projects only*

We are conscious that our property development operations generate substantial volumes of waste and have incorporated proper waste disposal including monitoring and reporting in our operations. We encourage our contractors to contribute to our waste management efforts by requiring construction sites in Peninsular Malaysia to complete a Waste Data Collection Report. Contractors are required to separate waste into three separate bins: recyclable timber, recyclable steel/metal and non-recyclable waste. Contractors are required to document the tonnage of materials sent for recycling. We engage in regular communication with external contractors for the purpose of waste tracking.

GHG EMISSIONS

Building Materials

We define our GHG emissions in terms of Scope 1 and Scope 2 emissions, where Scope 1 emissions are deemed to be from sources directly owned by the Group and Scope 2 emissions are produced from the consumption of purchased electricity and natural gas.

GHG Emission Data for Ceramic Tile Operations

Indicator for per unit tile production	2016	2017	2018	2018 target	Achieved
Scope 1 GHG Emission (tCO_2/m^2)*	0.00011	0.00011	0.00011	< 0.00012	✓
Scope 2 GHG Emission (tCO_2/m^2)*	0.0102	0.0105	0.0096	< 0.0108	✓

Note:

* *Based on energy utilised in factories only.*

Air quality checks are also conducted for the automotive division twice a year via an air quality sampling session. This session includes samples taken at the body and paint works areas of service centres and an inspection of the bay exhaust vents.

DUST EMISSIONS

Building Materials

Dust emission by our quarry operations is managed using enclosed conveyors and dust suppression systems that trap airborne dust to ensure that our dust emissions remains within the permissible limits according to Environmental Impact Assessment (EIA) regulation. The quarry, asphalt and brick operations also complies to the new Malaysia Ambient Air Quality Standards.

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 2018, our quarry, asphalt and brick operations once again engaged an external expert to conduct biennial assessments on dust emissions, noise pollution and water contamination - a process which will facilitate better management of our emissions. Our dust emission assessment results showed that our facility adhered to the limits of the regulation.

NOISE EMISSIONS

Building Materials

We are conscious of the environmental and operational noise generated by the blasting and crushing activities at our quarries and actively work to reduce such noise impact. For example, our Environmental Management Plan has guided the installation of bund walls that reflect noise generated by blasting rocks where applicable. We also comply with the Malaysian Minerals and Geoscience Department's regulatory requirements as well as the limits of the EIA regulations and engage environmental consultants to conduct quarterly assessments of our quarries' noise generation to ensure that is within regulatory stipulations. At MMSB, noise levels are assessed through yearly boundary noise monitoring to ensure compliance to the Environmental Quality Act 1974.

SOCIAL

Building healthy and inclusive communities and workplaces.

OUR CONDUCIVE WORKPLACE

We place great importance on providing a safe and inclusive workplace to ensure the comfort and productivity of our staff. Employee satisfaction is a priority for the Group and we offer a variety of training, workshops and knowledge-management practices to promote continuous staff learning and opportunities for career advancement.

We also recognise that individuals of all backgrounds make valuable and unique contributions to our operations and we aim to foster diversity and equal opportunity in all our workplaces. We make a point to engage with our employees regularly to collect feedback to ensure their ongoing health, safety and comfort.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Conducive Workplace	Occupational Safety and Health (OSH)	• Group
	Employee Engagement	• Group
	Diversity and Equal Opportunity	• Group

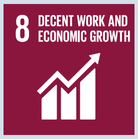
KEY ACHIEVEMENTS IN 2018:

Zero fatalities recorded

RM268,092 spent on training and development

20 participants sponsored for Mercedes-Benz Advanced Modern Apprenticeship 2018-2021 programme cohort

LINK TO UN SDGs:



OCCUPATIONAL SAFETY AND HEALTH

Group

Creating safe and healthy working conditions ensures the wellbeing of our staff and the uninterrupted operation of our business divisions. We have OSH regulations in place throughout the Group and we are continuously seeking to improve our policies and procedures to ensure the safest possible operations. Such policies also extend to the contractors and local communities who participate in or are affected by our operations.

Safety Data in Our Business Divisions

Division	LTIFR* 2017	Number of fatalities for 2017	LTIFR* 2018	Number of fatalities for 2018
Property Investment and Development**	0	0	**0**	**0**
Automotive***	-	-	**5.44**	**0**
Fertilizers Trading	1.31	0	**2.56**	**0**
Building Materials - quarry, asphalt and brick operations	0.48	0	**1.16**	**0**
Building Materials - ceramic tile operations	3.6	0	**3.27**	**0**

Note:
*	*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, Pangsapuri Alpinia, Akasa Cheras South, Menara Hap Seng 3, Jalan Kia Peng service apartment and mixed development at KL Metropolis Plot 5A.*
***	*Data covers two major after-sales centres (Kinrara and Balakong).*

SNAPSHOTS OF SAFETY PROGRAMMES AT HAP SENG GROUP

Property Investment and Development	• Conducted 313 toolbox briefings and 31 safety training sessions in 2018 • Conducted 332 fogging exercises at our construction sites in 2018 • 417 participants took part in our 2018 safety and health campaign which included talks, exhibitions and safety demonstrations
Automotive	• Developed an OSH policy to supplement the safety and health guidelines for after-sales operations
Fertilizers Trading	• Conducted a CHRA in accordance with OSH requirements every five years. The last CHRA was conducted in 2018
Building Materials	• Our quarry, asphalt and brick operations have conducted 117 safety walks where Health, Safety and Environment (HSE) officers observe ground operations and identify opportunities for improved safety and site housekeeping, were held in 2018
	• Our quarry, asphalt and brick operations continues to follow a specific Safety and Health policy
	• Under our commitment to minimise employee risks and ensure workplace safety, MMSB have achieved full compliance with OHSAS 18001:2007 and are certified by SIRIM and IQNet accordingly

EMPLOYEE ENGAGEMENT

Group

Employee feedback provides valuable insight into how we can make our workplace more comfortable, safe and productive. We regularly create opportunities for our employees to be heard. We encourage staff to speak up on any matter of concern, and encourage communication and discussion through our "Open Door" policy. Under this policy, staff are invited to convey any discontent to the next supervisory level, after which unresolved grievances are escalated to the Group Human Resource Department.

We implement the Balanced Scorecard system to ensure that activities executed across all divisions are in line with the Group goals and interests. The Scorecard tracks the measures, targets and initiatives through which we aim to achieve our strategic objectives in the Financial, Customer and Markets, Internal Processes as well as Learning and Growth dimensions. In order to promote a performance-driven culture that drives business growth within our Group, compensation rewards for each performance period are awarded based on the results of the Scorecard.

In 2018, one of our business divisions conducted a restructuring exercise which saw 423 employees participating in a voluntary separation scheme while another 23 were retrenched. As a responsible employer, the business division collaborated with 14 potential employers, the local labour office (Jabatan Tenaga Kerja), Social Security Organisation (SOCSO) and other relevant organisations to organise a job fair on the 24 and 25 September 2018 for these employees. The Union has reported that approximately 55% of the displaced workers found jobs after a month whilst some 10% decided to opt for early retirement.

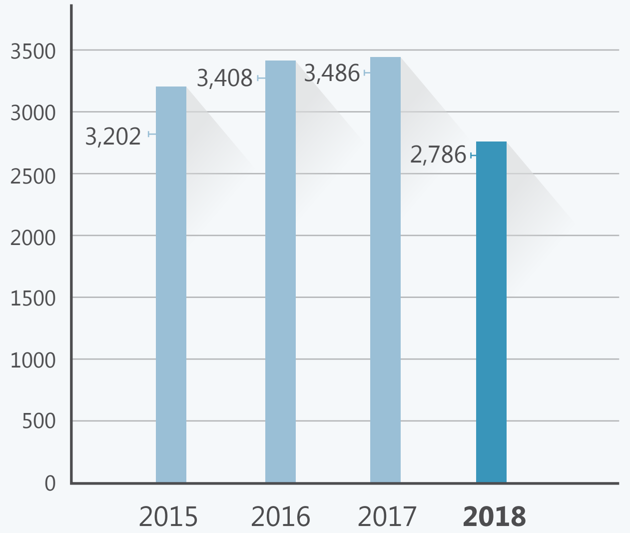
MANAGEMENT OF OUR FOREIGN WORKERS

Foreign workers, hired directly or via agents, are employed by some of our divisions in accordance with the rules and regulations set by the Immigration Department in relation to the management of foreign workers. Our labour management practices are adherent to the requirements of the Employment Act 1995 and the Industrial Relations Act 1967 and incorporate human rights policies such as freedom of association and collective bargaining as well as the prohibition of child labour and forced or compulsory labour. Within our property division, internal stakeholders are engaged in discussions related to immigration rulings and regulations pertaining to the division's foreign workers.

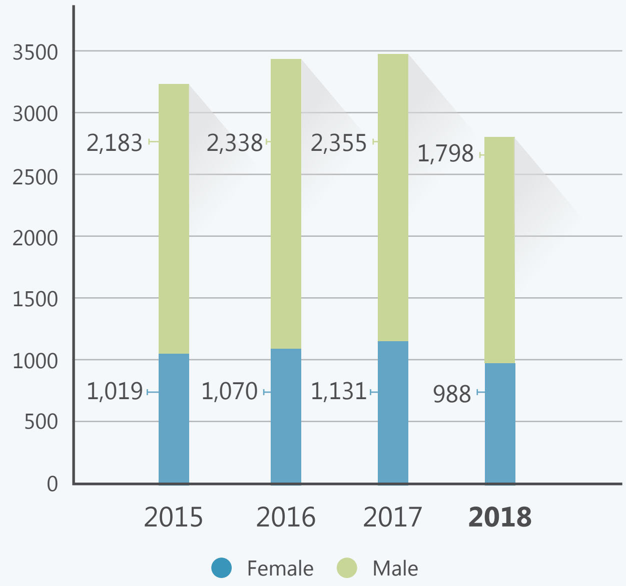
Average hours of training per employee per year: **15 hours**

Percentage of employees receiving regular performance and career development reviews: **100%**

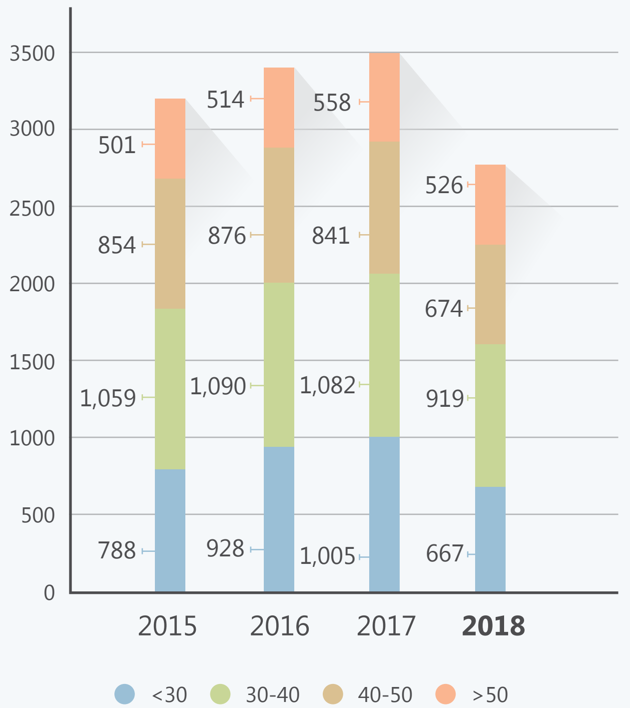
Total Number of Employees



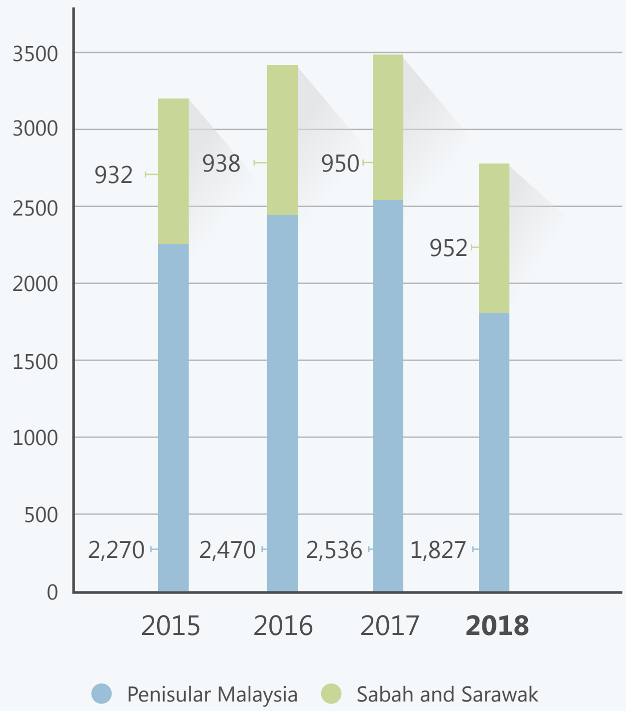
Number of Employees, by Gender



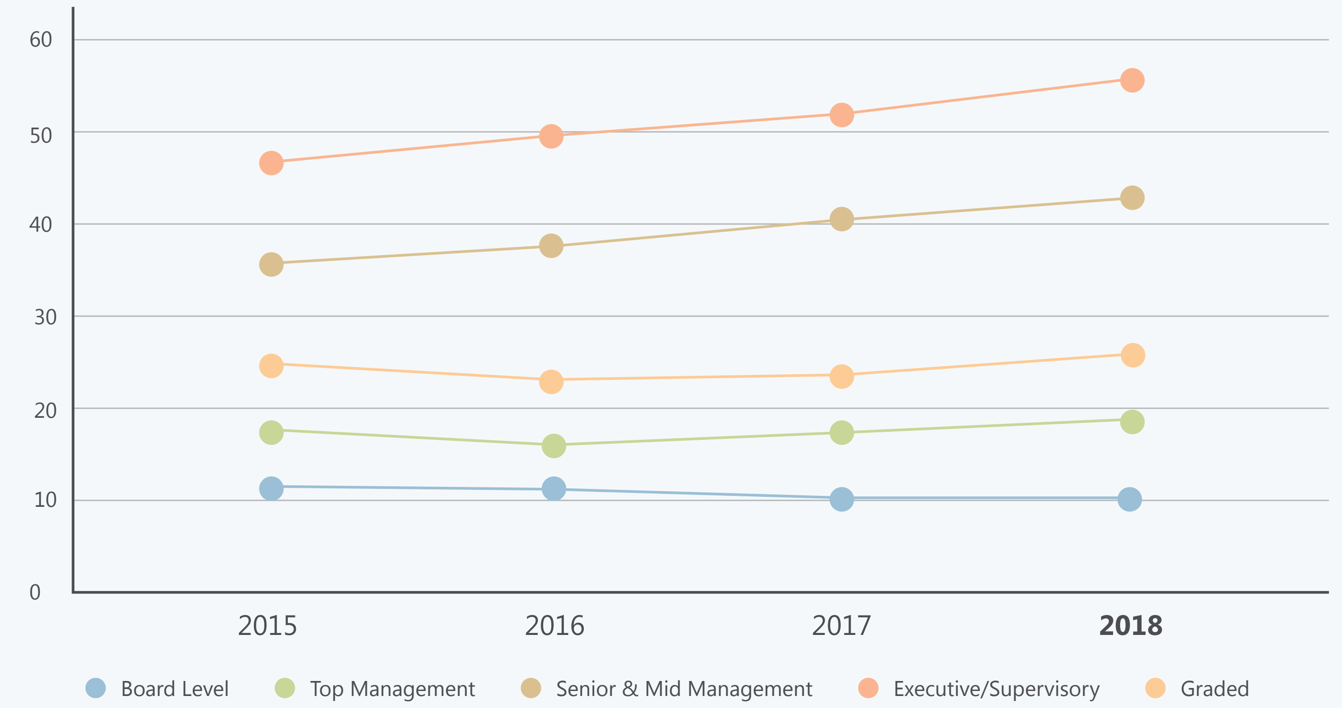
Number of Employees, by Age Group



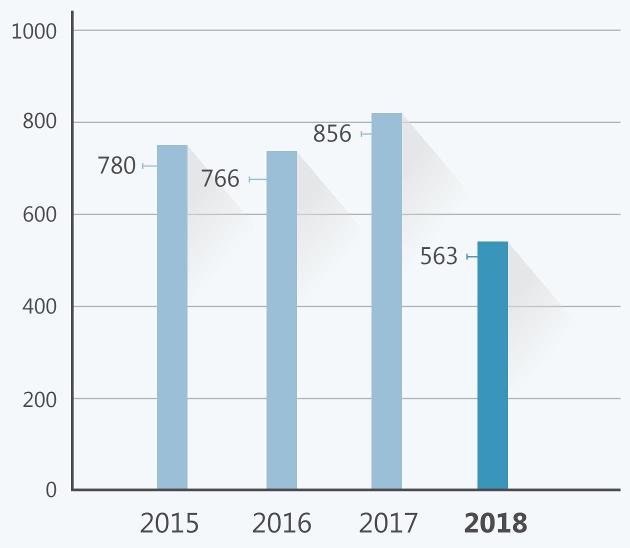
Number of Employees, by Region



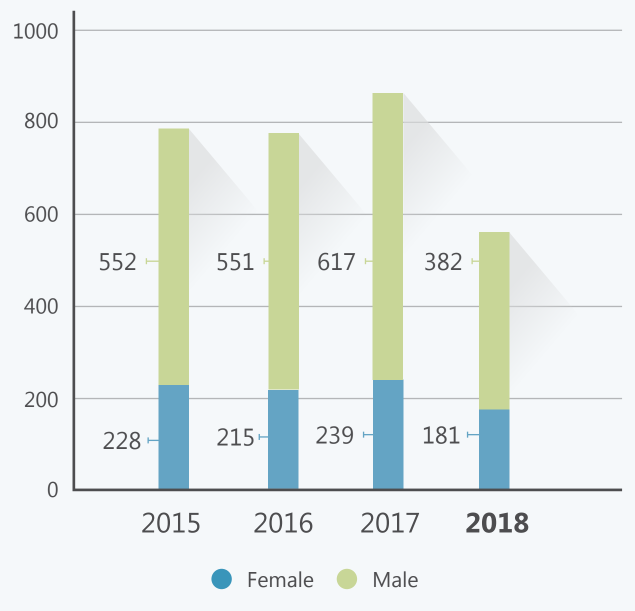
Percentage of Women in Management



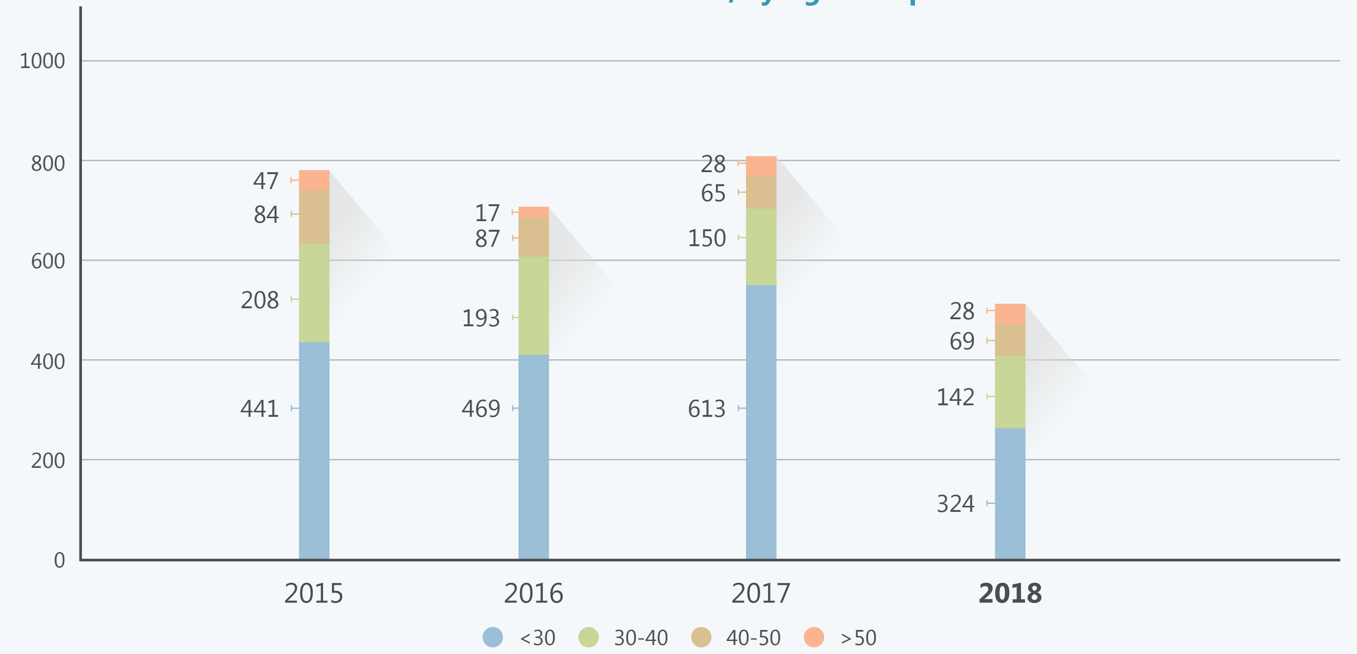
Total Number of New Hires



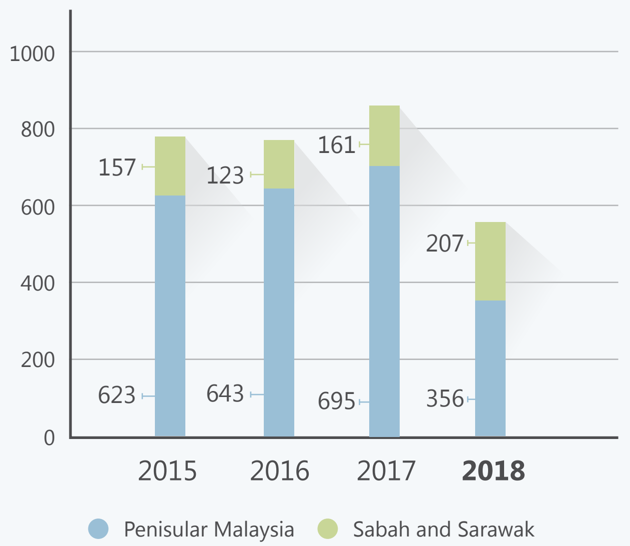
Number of New Hires, by Gender

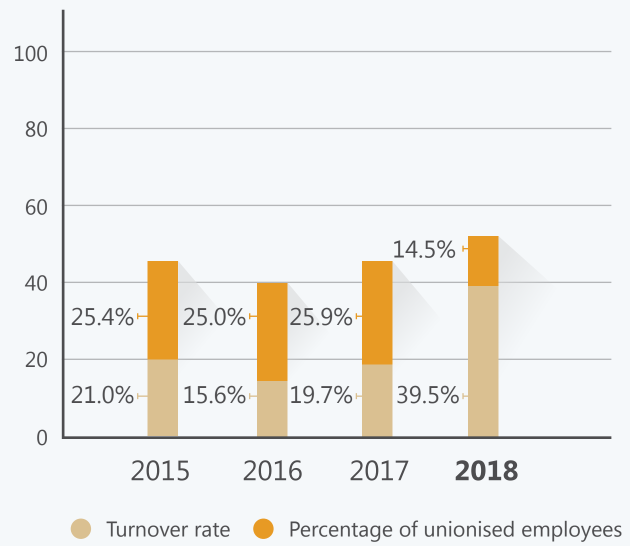


Number of New Hires, by Age Group



Number of New Hires, by Region





DIVERSITY AND EQUAL OPPORTUNITY

Group

Diversified perspectives and experiences are key drivers in creating an innovative and productive organisation. We therefore encourage equal opportunity in our workplaces, welcoming all genders, ages, ethnicities, races, nationalities and professional backgrounds. Opportunities for advancement are awarded based on merit and are made in line with our commitments to shareholders and the communities in which we work.

SOCIAL

Building healthy and inclusive communities and workplaces.

HAP SENG GROUP IN THE COMMUNITY

We strongly believe in giving back to the communities in which we operate by delivering a variety of initiatives and programmes targeting a wide range of beneficiaries. These programmes, which are overseen by Group CSR across all business divisions, primarily focus on building the capacity of younger generations in rural areas.

We have made efforts to move beyond basic sponsorship and volunteering in our communities - our long-term programmes have outcome-based strategies which yield tangible results and have a multiplier effect in the community. Starting from our efforts in initiating the Sabah Education Roundtable in 2016, we have constantly been involved in the shaping of multi-stakeholder strategies which would bring change to the system itself. As a result of our work within the community, the Group is recognised as a valued corporate participant in multi-stakeholder panels for comprehensive sustainability dialogue and plans.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Hap Seng Group in the Community	Hap Seng Group's Internet of Things (IoT)	• Group
	Reimagining Your Future Day	
	Teach for Malaysia	
	Hap Seng Group in MCII	
	Hap Seng Group Tawau Leadership	
	Empowering the Tanjung Batu Community	
	Advanced Modern Apprenticeship programme	
	OSH in the Community	

KEY ACHIEVEMENTS IN 2018:

RM1,108,512 invested in community initiatives

98 teachers from **48 rural schools in 5 districts** in Sabah involved in the Hap Seng Group's IoT Programme

LINK TO UN SDGs:

HAP SENG GROUP'S INTERNET OF THINGS (IoT)

Hap Seng Group's IoT Programme aims to develop teachers' ability to deliver 21st century learning in their classroom through the development of both technical and soft skills, with particular focus on mentoring and project-based learning. The programme, which is delivered in partnership with Chumbaka, began in 2017 and reached 24 secondary schools in rural Sabah during its first year. Through workshops, teachers learn about embedded systems, electronics and coding, and soft skills such as mentoring, pitching, design thinking and 21st century learning methods. At the end of the programme, teachers run a bootcamp to introduce students to what they have learned, and guide students to join the state and national level innovation competition, Young Innovate Challenge (YIC).

In 2018, this programme was expanded to include Semporna and a programme for primary school students, Junior Innovate, was introduced. By implementing IoT programmes at the junior level, the Junior Innovate programme seeks to instil digital understanding among students in the early stages of their education to better prepare them for Industry 4.0. In the second year of the IoT programme, benefits began to show in both teachers and students in terms of building confidence, improving communication and English language skills, increasing teamwork and collaboration efforts, building resilience and extensive usage of high-order thinking skills. The programme has encouraged collaboration between schools to share ideas and garnering further interest in teachers and school leaders in growing IoT awareness among students. The success of the programme in 2017 also prompted the adoption of the programme by another funder for its delivery in secondary schools throughout Perlis.

MILESTONES

Year	Location	Results
2017	Keningau, Tenom, Nabawan and Tambunan	• Built the capacity of 48 teachers from 24 schools • 19 schools with 89 teams and 263 students participated in the YIC Sabah. One team qualified for the national level YIC.
2018	Keningau, Tenom, Nabawan and Tambunan	• Built the capacity of 48 teachers from 24 schools – impacted approximately 300 students • 19 schools with 72 teams and 219 students participated in the YIC Sabah. Four team qualified for the national level YIC. • Number of IoT clubs: 13 schools are fully committed • SMK Tambunan became one of #mydigitalmaker Champion Schools under Malaysia Digital Economy Corporation (MDEC) <u>Junior Innovate</u> • Built the capacity of 40 teachers from 20 schools – impacted approximately 210 students • 19 schools with 101 teams and 202 students participated in the YIC Sabah. Two team qualified for the national level Junior Innovate.
	Semporna	• Built the capacity of 10 teachers from 5 schools – impacted approximately 15 students • 2 schools with 5 teams and 15 students participated in the YIC Sabah. • Two schools worked together and successfully crowdfunded their YIC Sabah trip through an online crowdfunding platform

'REIMAGINING YOUR FUTURE' DAY

In 2018, Hap Seng Group partnered with several organisations to deliver a multi-session career day in Sabah entitled 'Reimagining Your Future Day'. The first session of the day, which was delivered in partnership with Chumbaka, was a 'Reimagining Your Future Seminar' held for state and district education officers along with school leadership, teachers and secondary school teachers from 24 schools in Keningau, Tenom, Nabawan and Tambunan. The seminar offered a discussion of career opportunities in the modern digital industrial industry as well as the support, skills and education students require in order to successfully enter the workforce. Close to 100 participants attended the session.

Following the seminar, a public lecture on 'Reimagining Your Future' was held in collaboration with Sabah Techpreneur Association (SATA) and the Ministry of Education and Innovation. This session, which was aimed at the broader community in Keningau, was attended by more than 60 community leaders, business community members, parents and interested professionals. During the lecture, participants learned about career challenges and opportunities in the 21st century marketplace, with reference to valuable skill sets and modern technology.

SPONSORING TEACH FOR MALAYSIA

Teach For Malaysia is a capacity-building programme delivered in collaboration with Teach For Malaysia that runs from 2018 until 2020. Under the programme, four English teachers are placed in four secondary schools in Semporna, Sabah where they share knowledge and best practises among themselves and within their respective school to improve students' English. The programme is expected to reach approximately 600 students within the selected four schools, contributing to vital rural development.

Mercedes-Benz Advanced Modern Apprenticeship (AMA) Programme

Hap Seng Star is a supporter of the Mercedes-Benz AMA Programme, which provides hands-on experience and specific training on the mechanics and electronics of Mercedes-Benz. The division offers both scholarships and on-the-job training for students enrolled in the programme, helping to promote youth skills development while also ensuring the availability of well-trained technicians for our business needs. We currently sponsor 20 participants in the 2018-2021 programme cohort and sponsored a total of 85 graduates since 2013.

HAP SENG GROUP IN MCII

The Malaysian Collective Impact Initiative (MCII), of which Hap Seng Group is one of the founding members and a member of the steering committee, is a collaborative education initiative aimed at achieving systemic educational and social change in Malaysia. MCII works with various corporate players to match schools and communities with suitable literacy and career aspiration intervention programmes to meet their needs. These programmes, which are delivered in line with the Malaysia Education Blueprint 2013-2025, are currently implemented in 12 schools in Pandamaran and Kapar, Klang.

These programmes aim to raise youth who are conscientious, multi-skilled, and independent lifelong learners who will go on to become globally competitive thought leaders. These programmes allow the school (leaders, teachers and students) to work with the local community (parents and local authorities) to solve social issues among youths. Students also gain better access to information, are able to communicate more effectively in both English and the Malay language and are more engaged in identifying career goals.

Sponsoring Global School Leadership

In 2018, the Group co-funded a programme by Global School Leaders which ran leadership workshops in ten schools under MCII in Pandamaran and Kapar, Klang. The programme aimed to increase the students' leadership skills and overall school performance in addition to improving students' learning experience and educational achievements.

Achievements of the programme include:
- Eight workshops were delivered throughout the year.
- 55 members of the school leadership teams participated including headmasters, principals and senior assistants.
- At least 50% implementation of action steps was achieved by all schools, including setting school vision and conducting classroom as well as school walkthroughs by November 2018.

As a result of the programme, school leaders agreed that their school management is more structured, practicable and data-oriented while teachers felt that their classroom lessons are more organised and purposeful. Schools are now more aware of the characteristics and strategies for good leadership. The strategies recommended in the workshops are implemented to improve school learning experience, motivate teachers and manage daily school operations.

HAP SENG GROUP TAWAU LEADERSHIP

Hap Seng Group contributes to the youth development in Tawau through a comprehensive Hap Seng Group Tawau Leadership programme. Following the success of the 2017 leadership-based Hap Seng Tawau Summer Camp, Hap Seng Group, together with our implementation partner Leaderonomics, continue to run the leadership development programme throughout 2018 which included various monthly activities such as 'train the trainer' trainings, community leadership club, parents engagement sessions and year-end camps.

The programme aimed to instil leadership, confidence and good interpersonal skills in youths, especially among the 18 high potential youths who were selected from the 2017 camp. They were further groomed as leaders with the involvement of their parents and community volunteers. At the end of the year, they were able to exercise their newly developed leadership skills as facilitators' assistants at the Hap Seng Super Micro Leader Camps.

The Hap Seng Super Micro Leader Camps aimed to develop leadership character and skills among youth aged seven to 14 with the goal of bringing about positive change in the Tawau community. The camps encouraged personal growth through self-discovery and character development and exposed participants to four main values in 2018: Determination, Decisiveness, Forgiveness and Truthfulness. More than 160 young leaders participated in the year end camps.

EMPOWERING THE TANJUNG BATU COMMUNITY

We continued to support life-long learning and the development of essential employment skills in the Tanjung Batu community. We partnered with the award-winning humanitarian organisation SOLS 24/7 along with UPPM Tanjung Batu and Pusat E-Desa Tanjung Batu to deliver English and IT proficiency classes for participants aged seven to 50 years old. In addition to providing valuable skills, the programme also seeks to build local capacity for community-based initiatives and encourage collaborative community efforts to address local social and environmental issues.

The 16 community programmes delivered through this partnership reached a total of 675 attendees. Of the 234 students who participated in English classes, 77% saw an improvement in their grade from entry to final assessment, and 80% of the adult students reported greater confidence in speaking English.

OSH IN THE COMMUNITY

Health and safety are important to the Group in the workplace and our communities. At Hap Seng, we always believe that safety is a culture. For that reason, it is part of our CSR mission to create value together with trusted OSH partners by promoting safety culture in the surrounding community.

In line with this approach, we continued our collaboration with the National Institute of Occupational Safety and Health (NIOSH) on our OSH in School programme in 2018. We have successfully delivered three OSH in School programmes in Papar and Tawau since its inception in 2015, while helping to foster greater understating in school citizens of safety culture and careers. In 2018, the programme was conducted at the Vision School in Tawau, where 270 students, 47 teachers and 10 Hap Seng volunteers participated in the event. Students and teachers learned about health, safety and hazards in a school environment, and gained understanding about incident reporting and hazard control measures. We hope that participants will be able to implement and share these lessons at school and at home.

In 2018, to further promote safety culture in the community, Hap Seng Building Materials hosted a Quarry Operators Safety Programme event for operators in the quarrying industry in Sabah. The event, which was delivered in collaboration with the Sabah Owner Quarry Association and Department of Occupational Safety and Health, provided an opportunity for quarry operators to share, discuss and learn from each other's HSE best practices for the improved wellbeing of all staff. A total of 160 individuals participated in the event, which was held across two sessions to reach operators in both eastern and western Sabah.

2018 ACHIEVEMENTS & RECOGNITIONS

Business Division	Awards	Purpose of Awards	Date of Receipt
Group	The Edge Billion Ringgit Club Corporate Awards 2018 – Industrial Products & Services for the Highest Return on Equity over three years	To celebrate Corporate Malaysia's best-performing companies and top responsible organisations	December 2018
Hap Seng Land	SHAREDA Excellence Award 2018 – Township Property Development	BSI was recognised as an integrated satellite township that incorporated the fundamental principle of long-term sustainability, ecological and liveable township.	August 2018
Hap Seng Land	The BrandLaureate Signature Brand Award 2017-2018 – Real estate - property category	The BrandLaureate Awards represents the very best that the world of branding has to offer.	May 2018
Hap Seng Consolidated Berhad	Finalist in MalaysiaGBC Leadership in Sustainability Awards 2018 (The Business Leadership in Sustainability Award Category).	This award recognises companies who are truly integrating sustainability into their business models and contributing to the transition towards a sustainable built environment.	May 2018
Hap Seng Star	Winners for Mercedes-Benz Malaysia Skills Competition 2018	Mercedes-Benz's after-sales competition is to honour and recognise the best technician, service advisor and process specialist	September 2018
Hap Seng Star	Champion, Mercedes-Benz Malaysia Dealer of the Year Awards 2018	Mercedes-Benz Malaysia Dealer of the Year Awards is aimed at recognising the services provided by its 35 dealerships across the country. The programme marks Mercedes-Benz Malaysia's efforts to recognise and reward dealerships for operational excellence and commitment to customer service.	March 2019
Malaysian Mosaics Sdn Bhd	World Branding Awards – Brand of the Year 2018-2019	The premier awards of the world branding forum. The Awards sees some of the world's best brands recognised for their work and achievements	October 2018
Malaysian Mosaics Sdn Bhd	Enterprise Asia's Asia Responsible Enterprise Awards 2018 – Green Leadership Category	This award recognises and honours Asian businesses for championing sustainable and responsible entrepreneurship	June 2018
Malaysian Mosaics Sdn Bhd	Malaysian Society for Occupational Safety and Health, MSOSH OSH Award 2017* – Gold Class I for MMSB 1,2 & 3	An annual award presented to organizations in Malaysia with proven outstanding OSH performance. Short-listed companies are subjected to stringent document and site verification audits by MSOSH panel of qualified and dedicated auditors in order to be considered by the MSOSH Technical Committee for the respective awards.	July 2018

* *The awards were presented in 2018*

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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

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

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

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2018 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,394,178	1,720,425
Tax expense	(207,316)	(1,320)
Profit for the year	1,186,862	1,719,105
Attributable to:		
Owners of the Company	1,145,608	1,719,105
Non-controlling interests	41,254	-
Profit for the year	1,186,862	1,719,105

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

There were no changes in the issued share capital of the Company during the financial year.

TREASURY SHARES

During the annual general meeting of the Company held on 30 May 2018, 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 RM39,567 which were held as treasury shares. All repurchases of shares were financed by the Company's internally generated funds.

As at 31 December 2018, the Company held 10,000 treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2018	6,000	53,529	8.92
Repurchased during the year	4,000	39,567	9.89
As of 31 December 2018	10,000	93,096	9.31

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 44 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 45 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 2018:	
- First interim dividend of 15 sen per share under the single tier system approved by the Board of Directors on 31 May 2018 and paid on 28 June 2018	373,451
- Second interim dividend of 20 sen per share under the single tier system approved by the Board of Directors on 22 November 2018 and paid on 19 December 2018	497,934
	871,385

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2018.

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
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:

Andrew Talling
Au Siew Loon
Au Yong Siew Fah
Bacho Bin Masdukir
Calvin Yeo Chong Lok
Chan Kien Ming
Chan Yee Hing
Cheng Yue Kay, Michael
Cheong Shan Shi
Chong Kwea Seng
Chow Wen Kwan, Marcus
Choy Khai Choon
Dato' John Chee Shi Tong
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir
Datuk Chia Lui Meng
Dionysius Angkasa
Eugene Lee Chin Jin
Harald Uwe Behrend
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
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	
Yap Chai Soon	
Yong Teck Jan	
Rosmin Bin Wan Mohamed	(Appointed on 7 March 2019)
Wang Zhu	(Appointed on 1 April 2019)
Wanchana Kosanvit	(Resigned on 30 April 2018)
Nicholas Rodney Quince	(Resigned on 1 July 2018)
Choo Chee Beng	(Resigned on 31 December 2018)
Idzham Mohd Hashim B Zahrain Mohd Hashim	(Resigned on 7 March 2019)
Heng Chin Tung	(Resigned on 19 March 2019)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
Name of director	**As at 1.1.2018**	**Acquired**	**Sold**	**As at 31.12.2018**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	5,000	-	-	5,000
Dato' Mohammed Bin Haji Che Hussein	20,000	-	-	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 32 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 43 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 RM75,000.

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 30 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 April 2019.

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 144 to 299 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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 19 April 2019.

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 144 to 299 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 19 April 2019.

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 2018 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 144 to 299.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters (continued)

(a) Property development revenue and profit recognition

Revenue from property development during the year amounted to RM421 million, representing 6.7% of the Group's total revenue for the financial year ended 31 December 2018 are recognised based on percentage of completion method ("POC") which is derived based on the extent of actual costs incurred to the total estimated development costs to derive the percentage of completion.

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

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

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

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

The notes relating to property development costs are disclosed in Notes 2.18, 3.2(d), 16 and 27 to the financial statements.

Key audit matters (continued)

(b) Valuation of investment properties

As at 31 December 2018, the carrying amount of investment properties of the Group is RM1.6 billion, which represents 19% of the total non-current assets of the Group. The Group carries its investment properties at fair value as disclosed in Note 6 to the financial statements. The management uses independent valuers to support its determination of the 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 RM1.5 million for the financial year ended 31 December 2018 as disclosed in Note 6 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 6 to the financial statements.

The notes relating to investment properties are disclosed in Notes 2.9, 6 and 40(b) to the financial statements.

Key audit matters (continued)

(c) Recognition of contingent asset

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

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 an additional contingent consideration of RM48.7 million in the current year. The contingent consideration balance as at 31 December 2018 is RM104.3 million.

Our audit procedures include the following:

- We challenged management's key assumptions for the relevant years such as sale growth, production capacity and expected selling prices by comparing them to the historical performance of MMSB and external market analysis;

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

- We recomputed the contingent consideration recognised arising from the shortfall of 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), 12(b) and 29(a) to the financial statements.

Key audit matters (continued)

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

The carrying amount of hire purchase receivables and loan receivables arising from the credit financing segment of the Group as at reporting date were RM1.24 billion and RM1.53 billion respectively. Upon adoption of the MFRS Framework, the Group adopted the accounting standard MFRS 9 'Financial instruments' which requires the Group's credit losses to be based on a new, forward looking, expected credit loss ("ECL") impairment model which takes into account reasonable and supportable forward-looking information rather than an incurred loss model. The Group has put in place controls over the estimation of ECL for these trade receivables. The estimation process involves the application of judgement and the use of subjective assumptions.

ECL on hire purchase receivables and loan receivables is significant to our audit due to the significant management determined judgement and estimates used in the calculation of the ECL and the uncertainty inherent in the estimation process.

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

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

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

As at 31 December 2018, the Group has recognised RM7.67 million in provisions for expected credit losses for hire purchase receivables and loan receivables.

Key audit matters (continued)

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

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

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

The notes relating to the ECL for hire purchase receivables and loan receivables are disclosed in Notes 2.2(b), 2.16 and 12 to the financial statements.

Key audit matters (continued)

(e) Fair value as deemed cost arising from first time adoption of MFRS

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 basis. Any surplus arising from the determination of fair value 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. As a result of the election of this optional exemption under MFRS 1, the cost of certain leasehold land, buildings and infrastructure of certain subsidiaries in the plantation segment as at 1 January 2017 (transition date) has increased by approximately RM1.16 billion which constitute 36% of the total restated carrying value of property, plant and equipment as at that date.

The estimation of fair value of leasehold land of RM1.07 billion was performed by independent external valuer using the comparison method which involves the use of sales transaction values for similar assets as a comparison.

We identified the fair valuation of the leasehold land as a key audit matter due to the significance of the fair value recognised as deemed cost from the first-time adoption of MFRS where significant judgements are associated with determining the fair value.

We have reviewed the following procedures performed by the component auditor in respect of the estimation of fair value:

- evaluation of the qualifications, competence and objectivity of the external valuer engaged by management by considering the valuer's membership of a professional body, the number of years in practice and inquiries of the independence of the external valuer;

- review of valuer's reports and discussion of the reports with the valuer to assess whether the valuation methods for leasehold land are those acceptable for similar assets in the industry; and

- evaluation on the sales transaction values used by the valuer when determining the fair value of leasehold land by comparing them against selling prices of similar assets from external market information.

The notes relating to First-time adoption of Malaysian Financial Reporting Standards are disclosed in Notes 2.2(a) and 46 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other matters

1. As stated in Note 2.2 to the financial statements, Hap Seng Consolidated Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.

2. 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
19 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		
	Note	2018 RM'000	2017 RM'000	1.1.2017 RM'000
Non-current assets				
Property, plant and equipment	4	**3,157,916**	3,158,650	3,197,239
Prepaid lease payments	5	**180,323**	189,638	201,367
Investment properties	6	**1,600,502**	1,538,870	1,675,054
Investment in associates	8	**440,587**	447,950	496,675
Investment in joint ventures	9	**7,522**	9,433	844
Land held for property development	10	**1,070,354**	779,460	712,642
Intangible assets	11	**52,847**	36,736	85,149
Trade and other receivables	12	**1,907,341**	1,566,357	1,041,254
Other non-current financial assets	14	**30,282**	29,563	115,844
Deferred tax assets	24	**35,469**	15,247	21,809
		8,483,143	7,771,904	7,547,877
Current assets				
Inventories	15	**1,724,276**	1,348,599	1,163,461
Property development costs	16	**1,243,440**	830,490	689,778
Biological assets	17	**16,437**	19,550	37,667
Trade and other receivables	12	**2,210,942**	2,233,237	1,935,503
Contract assets	13	**201,405**	172,422	87,326
Tax recoverable		**51,354**	22,966	19,471
Other current financial assets	14	**4,459**	30,907	171,243
Money market deposits	18	**1,026,716**	90,990	354,736
Cash and bank balances	19	**613,632**	648,257	684,284
		7,092,661	5,397,418	5,143,469
Total assets		**15,575,804**	13,169,322	12,691,346

		Group		
	Note	2018 RM'000	2017 RM'000	1.1.2017 RM'000
Equity attributable to owners of the Company				
Share capital	25	**3,519,554**	3,519,554	2,489,682
Reserves	26	**3,505,927**	2,618,361	3,379,534
		7,025,481	6,137,915	5,869,216
Less: Treasury shares	25	**(93)**	(54)	(16)
		7,025,388	6,137,861	5,869,200
Non-controlling interests	7(a)	**1,271,355**	969,340	959,505
Total equity		**8,296,743**	7,107,201	6,828,705
Non-current liabilities				
Trade and other payables	20	**145,700**	1,527	833
Provisions	21	**-**	-	12,000
Employee benefits	22	**3,297**	6,155	5,600
Borrowings	23	**2,810,553**	1,595,237	1,920,316
Other non-current financial liabilities	14	**3,026**	7,170	-
Deferred tax liabilities	24	**483,955**	475,266	488,381
		3,446,531	2,085,355	2,427,130
Current liabilities				
Trade and other payables	20	**1,142,535**	987,071	869,854
Provisions	21	**2,700**	6,958	10,306
Tax payable		**64,925**	61,380	49,219
Borrowings	23	**2,618,430**	2,883,638	2,504,931
Other current financial liabilities	14	**3,940**	37,719	1,201
		3,832,530	3,976,766	3,435,511
Total liabilities		**7,279,061**	6,062,121	5,862,641
Total equity and liabilities		**15,575,804**	13,169,322	12,691,346

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

		Company		
	Note	2018 RM'000	2017 RM'000	1.1.2017 RM'000
Non-current assets				
Property, plant and equipment	4	**1,380**	1,013	1,505
Investment in subsidiaries	7	**4,159,640**	4,434,593	3,586,450
Investment in associates	8	**70,538**	73,930	79,357
Trade and other receivables	12	**52,204**	39,207	-
		4,283,762	4,548,743	3,667,312
Current assets				
Trade and other receivables	12	**228,025**	148,042	401,001
Tax recoverable		**4,015**	1,555	2,504
Money market deposits	18	**819,188**	-	-
Cash and bank balances	19	**175,062**	184,938	203,926
		1,226,290	334,535	607,431
Total assets		**5,510,052**	4,883,278	4,274,743
Equity attributable to owners of the Company				
Share capital	25	**3,519,554**	3,519,554	2,489,682
Reserves	26	**1,679,732**	832,012	1,781,788
		5,199,286	4,351,566	4,271,470
Less: Treasury shares	25	**(93)**	(54)	(16)
Total equity		**5,199,193**	4,351,512	4,271,454
Non-current liabilities				
Deferred tax liabilities	24	**15**	15	21
Current liabilities				
Trade and other payables	20	**310,844**	531,751	3,268
Total liabilities		**310,859**	531,766	3,289
Total equity and liabilities		**5,510,052**	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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	27	**6,246,519**	5,293,993	**923,908**	425,626
Cost of sales	27	**(4,778,263)**	(3,862,457)	**-**	-
Gross profit		**1,468,256**	1,431,536	**923,908**	425,626
Other operating income		**107,042**	201,058	**17,899**	22,601
Distribution costs		**(260,233)**	(245,920)	**-**	-
Administrative expenses		**(321,095)**	(290,467)	**(24,075)**	(22,144)
Other operating expenses		**(165,009)**	(140,517)	**(440)**	(17,107)
		828,961	955,690	**917,292**	408,976
Finance costs	28	**(186,071)**	(146,339)	**(8,766)**	(855)
Other gain items	29	**750,420**	588,000	**859,954**	591,121
Other loss items	29	**(24,134)**	(55,448)	**(48,055)**	(42,705)
Share of results of associates	8	**26,626**	34,591	**-**	-
Share of results of joint ventures	9	**(1,624)**	(597)	**-**	-
Profit before tax	30	**1,394,178**	1,375,897	**1,720,425**	956,537
Tax expense	33	**(207,316)**	(208,953)	**(1,320)**	(5,054)
Profit for the year		**1,186,862**	1,166,944	**1,719,105**	951,483
Profit attributable to:					
Owners of the Company		**1,145,608**	1,098,923	**1,719,105**	951,483
Non-controlling interests	7(a)	**41,254**	68,021	**-**	-
		1,186,862	1,166,944	**1,719,105**	951,483
Earnings per share (sen)					
Basic	34	**46.01**	44.14		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit for the year	**1,186,862**	1,166,944	**1,719,105**	951,483
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	**(3,555)**	(21,425)	**-**	-
Share of foreign currency translation differences of associates	**2,194**	(161)	**-**	-
Share of foreign currency translation differences of joint ventures	**(258)**	(78)	**-**	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	**17,796**	-	**-**	-
Change in fair value of cash flow hedge	**1,404**	2,231	**-**	-
	17,581	(19,433)	**-**	-
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 on defined benefit liabilities	**(13)**	(113)	**-**	-
	(13)	56,900	**-**	-
Total other comprehensive income for the year, net of tax	**17,568**	37,467	**-**	-
Total comprehensive income for the year, net of tax	**1,204,430**	1,204,411	**1,719,105**	951,483
Total comprehensive income attributable to:				
Owners of the Company	**1,164,380**	1,140,468	**1,719,105**	951,483
Non-controlling interests	**40,050**	63,943	**-**	-
	1,204,430	1,204,411	**1,715,105**	951,483

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017	2,489,682	1,058,398	2,321,136	3,379,534	(16)	5,869,200	959,505	6,828,705
Transition to no-par value regime under the Companies Act 2016	1,029,872	(1,029,872)	-	(1,029,872)	-	-	-	-
Profit for the year	-	-	1,098,923	1,098,923	-	1,098,923	68,021	1,166,944
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	1,098,810	1,140,468	-	1,140,468	63,943	1,204,411
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 35)	-	-	(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	2,548,547	2,618,361	(54)	6,137,861	969,340	7,107,201
	Note 25			Note 26	Note 25			

	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 2018	3,519,554	69,814	2,548,547	2,618,361	(54)	6,137,861	969,340	7,107,201
Profit for the year	-	-	1,145,608	1,145,608	-	1,145,608	41,254	1,186,862
Foreign currency translation differences for foreign operations	-	(2,769)	-	(2,769)	-	(2,769)	(786)	(3,555)
Share of foreign currency translation differences of associates	-	2,174	-	2,174	-	2,174	20	2,194
Share of foreign currency translation differences of joint ventures	-	(131)	-	(131)	-	(131)	(127)	(258)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	17,796	-	17,796	-	17,796	-	17,796
Change in fair value of cash flow hedge	-	1,715	-	1,715	-	1,715	(311)	1,404
Remeasurement loss on defined benefit liabilities	-	-	(13)	(13)	-	(13)	-	(13)
Total other comprehensive income for the year	-	18,785	(13)	18,772	-	18,772	(1,204)	17,568
Total comprehensive income for the year	-	18,785	1,145,595	1,164,380	-	1,164,380	40,050	1,204,430
Changes in ownership interest in subsidiaries	-	57	594,514	594,571	-	594,571	310,846	905,417
Transfer to retained profits	-	30,973	(30,973)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(39)	(39)	-	(39)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(9)	(9)
Dividends (Note 35)	-	-	(871,385)	(871,385)	-	(871,385)	-	(871,385)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(48,872)	(48,872)
At 31 December 2018	3,519,554	119,629	3,386,298	3,505,927	(93)	7,025,388	1,271,355	8,296,743
	Note 25			Note 26	Note 25			

		Reserves						
		Non-distributable			Distributable			
	Share capital RM'000	Share premium RM'000	Capital redemption 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 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)	-	-	(1,029,872)	-	-
Profit for the year	-	-	-	-	951,483	951,483	-	951,483
Purchase of treasury shares	-	-	-	-	-	-	(38)	(38)
Dividends (Note 35)	-	-	-	-	(871,387)	(871,387)	-	(871,387)
At 31 December 2017/ 1 January 2018	**3,519,554**	**-**	**-**	**(30,973)**	**862,985**	**832,012**	**(54)**	**4,351,512**
Profit for the year	**-**	**-**	**-**	**-**	**1,719,105**	**1,719,105**	**-**	**1,719,105**
Transfer to retained profits	**-**	**-**	**-**	**30,973**	**(30,973)**	**-**	**-**	**-**
Purchase of treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**(39)**	**(39)**
Dividends (Note 35)	**-**	**-**	**-**	**-**	**(871,385)**	**(871,385)**	**-**	**(871,385)**
At 31 December 2018	**3,519,554**	**-**	**-**	**-**	**1,679,732**	**1,679,732**	**(93)**	**5,199,193**
	Note 25					Note 26	Note 25	

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax	**1,394,178**	1,375,897	**1,720,425**	956,537
Adjustments for:				
Depreciation of property, plant and equipment	**178,987**	177,465	**440**	513
Amortisation of prepaid lease payments	**8,421**	9,076	**-**	-
Amortisation of intangible assets – distributor rights	**17**	-	**-**	-
Property, plant and equipment written off	**18,642**	3,174	**-**	1
Share-based payment expense	**-**	193	**-**	-
Bad debts written off	**628**	175	**-**	-
Loss/(gain) on equity investment at fair value through profit or loss	**78**	(9,216)	**-**	-
Net gains from fair value adjustments of investment properties	**(1,490)**	(3,860)	**-**	-
Loss on fair value of biological assets	**3,113**	18,117	**-**	-
Gain on money market deposits at fair value	**(3,592)**	(1,403)	**(2,045)**	-
Impairment loss on investment in associates	**24,134**	7,035	**3,392**	5,427
Impairment loss on investment in a subsidiary	**-**	-	**44,663**	37,278
Impairment loss on property, plant and equipment	**42,033**	34,870	**-**	-
Impairment loss on goodwill	**-**	48,413	**-**	-
Reversal of impairment loss on intangible assets – customer relationship	**(10,404)**	-	**-**	-
Net inventories written down	**28,807**	12,094	**-**	-
Net impairment loss on trade and other receivables	**13,006**	5,673	**-**	-
Reversal of provisions	**(4,918)**	(14,500)	**-**	-
Gain on disposal of property, plant and equipment	**(1,839)**	(95,963)	**(70)**	-
Gain on disposal of subsidiaries	**(516,019)**	(496,838)	**-**	(499,959)
Gain on disposal of 20% equity interest in a subsidiary	**-**	-	**(635,957)**	-
Interest expense	**186,071**	146,339	**8,766**	855
Interest income	**(22,126)**	(13,359)	**(7,212)**	(22,547)
Dividend income	**(8,705)**	(15,748)	**(928,497)**	(425,626)
Profit guarantee shortfall receivable from holding company	**(175,307)**	(35,578)	**(175,307)**	(35,578)
Contingent consideration	**(48,690)**	(55,584)	**(48,690)**	(55,584)
Share of results of associates	**(26,626)**	(34,591)	**-**	-
Share of results of joint ventures	**1,624**	597	**-**	-
Unrealised foreign exchange (gain)/loss	**(8,007)**	4,804	**(5,696)**	2,375
Operating profit/(loss) before changes in working capital	**1,072,016**	1,067,282	**(25,788)**	(36,308)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Operating profit/(loss) before changes in working capital	**1,072,016**	1,067,282	**(25,788)**	(36,308)
Changes in working capital:				
Inventories	**(205,956)**	(151,777)	**-**	-
Property development costs	**(344,939)**	(117,060)	**-**	-
Loan receivables	**(432,264)**	(655,459)	**-**	-
Receivables	**(24,586)**	(549,942)	**92,911**	306,640
Contract assets	**(28,983)**	(85,096)	**-**	-
Payables	**405,181**	140,274	**(220,709)**	527,628
Provisions	**664**	(813)	**-**	-
Cash flows generated from/(used in) operations	**441,133**	(352,591)	**(153,586)**	797,960
Income tax paid	**(241,958)**	(210,755)	**(3,780)**	(4,111)
Income tax refunded	**851**	4,189	**-**	-
Interest paid	**(214,945)**	(172,219)	**(8,964)**	-
Interest received	**22,126**	13,359	**7,505**	23,056
Land held for property development	**(455,620)**	(112,457)	**-**	-
Net cash flows (used in)/generated from operating activities	**(448,413)**	(830,474)	**(158,825)**	816,905
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**9,329**	202,091	**72**	-
Proceeds from disposal of equity investment at fair value through profit or loss	**14,633**	104,479	**-**	-
Disposal of subsidiaries (Note 7(b))	**737,509**	744,646	**-**	1,015,081
Disposal of 20% equity interest in a subsidiary (Note 7(c))	**905,417**	-	**905,417**	-
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	**-**	-
Dividends received from subsidiaries	**-**	-	**920,138**	363,144
Dividends received from associates	**12,049**	76,120	**3,770**	62,482
Dividends received from a joint venture	**44**	106	**-**	-
Dividends received from equity investment at fair value through other comprehensive income	**720**	-	**-**	-
Dividends received from money market deposits	**7,944**	14,925	**4,589**	-
Profit guarantee shortfall received from holding company	**35,578**	-	**35,578**	-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	**(194,404)**	(178,929)	**(809)**	(22)
Purchase of equity investment at fair value through profit or loss	**(14,217)**	-	**-**	-
Acquisition of a joint venture	**(15)**	(9,370)	**-**	-
Acquisition of business	**(83,928)**	-	**-**	-
Additions to prepaid lease payments	**-**	(1,412)	**-**	-
Additions to investment properties	**(104,198)**	(82,794)	**-**	-
Redemption of preference shares held by non-controlling interests	**-**	(7,000)	**-**	-
(Increase)/decrease in money market deposits	**(932,134)**	265,149	**(808,530)**	-
Increase in investment in subsidiaries	**-**	-	**(287,684)**	(1,400,543)
Capital reduction in a subsidiary	**-**	-	**248,514**	-
Net cash flows generated from investing activities	**394,327**	1,507,711	**1,021,055**	40,142
Cash flows from financing activities				
Dividends paid	**(871,385)**	(871,387)	**(871,385)**	(871,387)
Dividends paid to non-controlling interests	**(48,872)**	(59,873)	**-**	-
Shares repurchased at cost	**(48)**	(48)	**(39)**	(38)
Net drawdown of borrowings (Note 23)	**939,770**	229,611	**-**	-
Net cash flows generated from/(used in) financing activities	**19,465**	(701,697)	**(871,424)**	(871,425)
Net decrease in cash and cash equivalents	**(34,621)**	(24,460)	**(9,194)**	(14,378)
Effects on exchange rate changes on cash and cash equivalents	**(4)**	(11,322)	**(682)**	(4,610)
Cash and cash equivalents as at 1 January	**648,257**	684,039	**184,938**	203,926
Cash and cash equivalents as at 31 December (Note 19)	**613,632**	648,257	**175,062**	184,938

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

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 7, 8 and 9, respectively. There have been no significant changes in the nature of these activities during the financial year.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ["MFRS"], International Financial Reporting Standards and the Companies Act 2016 in Malaysia.

The financial statements for the year ended 31 December 2018 are the Group's and the Company's first financial statements prepared in accordance with MFRS. The Group and the Company have applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards.

For periods up to and including the year ended 31 December 2017, the Group and the Company prepared their financial statements in accordance with Financial Reporting Standards ["FRS"].

In preparing the opening MFRS statements of financial position as at 1 January 2017 (which is also the date of transition), the Group and the Company have adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's and the Company's financial statements are disclosed in Note 2.2 to the financial statements.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRS. In presenting its first MFRS financial statements, the Group and the Company have restated the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition has been made retrospectively, against opening retained profits.

The material impact arising from the accounting policies adopted in preparing these consolidated financial statements are discussed below:

(a) MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards

(i) Fair value of property, plant and equipment as deemed cost

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRS. 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 fair value. Any surplus arising from the determination of fair value at the date of transition is transferred to retained profits.

At the date of transition to MFRS, the Group elected to regard the fair value of certain leasehold land, buildings, road and infrastructure of certain subsidiaries in the plantation segment as at 1 January 2017 as deemed cost. The surplus arising from the fair value of RM1,161,883,000 with a corresponding increase in deferred tax liabilities of RM277,580,000 and a corresponding increase in non-controlling interests of RM415,269,000 was transferred to retained profits on date of transition to MFRS.

The effects on the financial statements arising from the elected exemptions is stated in Note 46.

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

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-agricultural produce within the scope of MFRS 141 are measured at fair value less costs to sell.

The effects on the financial statements arising from the adoption is stated in Note 46.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) MFRS 9, Financial Instruments

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and the Company. The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139.

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 effects on the financial statements arising from the expected credit loss model on impairment is stated in Note 46.

(c) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The significant impact on the date of transition to MFRS arising from MFRS 15 is stated in Note 46.

Where applicable, comparative figures in these financial statements have been restated to give effect to these changes to reflect the financial position as at 1 January 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Standards/Amendments/Interpretations	Effective date
MFRS 16, Leases	1 January 2019
IC Interpretation 23, Uncertainty over Income Tax Treatments	1 January 2019
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 119, Employee Benefits – Plan Amendment, Curtailment or Settlement	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
Amendments to MFRS 3, Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101, Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)	1 January 2020
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)

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:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The impact to the financial statements of the Group on initial application of MFRS 16 on 1 January 2019 would be recognition of lease liabilities and right-of-use assets, with difference after share of non-controlling interests recognised in retained profits. No significant impact on the Group's finance leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

Oil palms are classified as bearer plants. Expenditure that are directly related to the planting and upkeep of oil palms are capitalised until the palms reach maturity. Upon maturity, maintenance and upkeep of oil palms are expensed to profit or loss. Depreciation for bearer plants commence when oil palms reach maturity.

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

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

Depreciation

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

Leasehold land	59 to 999 years
Buildings	10 to 50 years
Roads and infrastructure (except quarry infrastructure)	10 to 100 years
Plant and equipment	
- Plant and machinery	4 to 30 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years
Bearer plants	22 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

Disposal of property, plant and equipment

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

2.8 Biological assets

Biological assets comprised produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised net in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months after the reporting.

2.9 Investment properties

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

Reclassification to/from investment property

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

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

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

Investment property under construction ["IPUC"]

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

2.10 Investment in subsidiaries

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures (continued)

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

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

2.12 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at 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 MFRS 15.

2.13 Intangible assets

(a) Goodwill

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets (continued)

(a) Goodwill (continued)

The cash-generating unit to which goodwill has been allocated is tested for impairment at each reporting date and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in 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.

(c) Distributor rights

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

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

2.14 Impairment of non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets (continued)

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

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

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

2.15 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 (refer to the accounting policies in Note 2.22 revenue from contracts with customers).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ["SPPI"] on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Initial recognition and measurement (continued)

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(i) Financial assets at amortised cost (debt instruments)

(ii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

(iii) Financial assets at fair value through profit and loss

Financial assets at amortised cost (debt instruments)

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include receivables (excluding prepayments and advances paid to the suppliers), deposits and cash and bank balances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Financial assets designated at fair value through OCI ["FVOCI"]

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments.

2.16 Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (continued)

Definition of default and credit-impaired financial assets

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade and other receivables that are in default or credit impaired are assessed individually.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

(i) Disclosures for significant assumptions in Note 3

(ii) Trade receivables in Note 12

2.17 Inventories

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventories (continued)

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.

2.19 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements (unless otherwise stated below) because it typically controls the goods or services before transferring them to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts relating to property development allow for customers to deduct as liquidated damages from the consideration payable to the Group, in the event of delays in the supply of goods. Liquidated damages give rise to variable consideration.

Generally, if the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue (continued)

(a) Sale of goods and services

The Group or the Company transfers control of a goods or service at a point in time unless one of the following overtime criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(ii) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(b) Dividend income

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

(c) Interest income

Interest income is recognised using the effective interest method.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Government grant

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

2.24 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

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

(c) Defined benefit plans

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Employee benefits (continued)

(c) Defined benefit plans (continued)

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

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

(d) Termination benefits

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

2.25 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

(a) Group as a lessor

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

(b) Group as a lessee

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

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

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

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

2.27 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(b) Deferred tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(b) Deferred tax (continued)

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

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

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

2.28 Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial liabilities (continued)

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

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2.29 Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Derivative financial instrument and hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

(i) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

(ii) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

(i) There is 'an economic relationship' between the hedged item and the hedging instrument.

(ii) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Derivative financial instruments and hedge accounting (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ["EIR"] method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 14 for more details.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.31 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 reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 38, 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.

2.35 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.36 Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

2.37 Fair value measurement

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

(i)	Disclosures for valuation methods, significant estimates and assumptions	- Note 3.2(c), 6 and 14
(ii)	Financial instruments (including those carried at amortised cost)	- Note 40(a)
(iii)	Quantitative disclosures of fair value measurement hierarchy	- Note 40(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 MFRS 140 in making judgement as to whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

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

(b) Material litigations

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Group are disclosed in Note 39.

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. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivity analysis, are disclosed in Note 4 and Note 11.

(c) Fair value on investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialist to assess fair value for investment properties. Fair value is arrived at using comparison method, cost method or investment method and the key assumptions used to determine the fair value of the properties and sensitivity analysis are disclosed in Note 6.

(d) Property development

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

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

(e) Provision of expected credit loss of trade and other receivables

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risk, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(e) Provision of expected credit loss of trade and other receivables (continued)

Where there is significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the trade and other receivables are disclosed in Note 12.

(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 2018, the Group has deferred tax assets of RM35,469,000 (2017: RM15,247,000).

(g) Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability or a financial asset, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. Further information pertaining to the profit guarantee and probability of meeting each performance target are disclosed in Notes 12(b)(i) and 12(b)(ii).

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Total RM'000
Group								
At cost								
At 1 January 2017	159,040	1,281,908	1,012,917	313,526	1,265,959	33,779	662,258	4,729,387
Disposal of a subsidiary	-	-	-	-	(16,399)	-	-	(16,399)
Additions	3,055	1,025	6,284	8,462	85,783	48,917	26,080	179,606
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 6)	(84,031)	(8,195)	(4,205)	-	-	-	-	(96,431)
Transfer from investment properties (Note 6)	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)	-	(242)	(18,146)
Exchange differences	-	-	(6,562)	-	(1,019)	-	-	(7,581)
At 31 December 2017/ 1 January 2018	**119,968**	**1,298,794**	**1,045,347**	**331,263**	**1,341,574**	**17,921**	**688,096**	**4,842,963**
Acquisition of business	**-**	**-**	**-**	**-**	**7,833**	**-**	**-**	**7,833**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**(96)**	**-**	**-**	**(96)**
Additions	**-**	**28,145**	**11,915**	**12,365**	**81,333**	**38,330**	**23,516**	**195,604**
Reclassifications	**-**	**-**	**4,183**	**13,941**	**10,601**	**(28,725)**	**-**	**-**
Transfer from investment properties (Note 6)	**32,774**	**1,931**	**9,322**	**-**	**-**	**-**	**-**	**44,027**
Disposals	**-**	**-**	**-**	**-**	**(29,967)**	**-**	**-**	**(29,967)**
Written off	**-**	**-**	**(464)**	**(50,059)**	**(22,448)**	**-**	**(1,318)**	**(74,289)**
Exchange differences	**-**	**-**	**(770)**	**-**	**(211)**	**-**	**-**	**(981)**
At 31 December 2018	**152,742**	**1,328,870**	**1,069,533**	**307,510**	**1,388,619**	**27,526**	**710,294**	**4,985,094**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Bearer plants RM'000	Total RM'000
Group (continued)								
Accumulated depreciation/ impairment loss								
At 1 January 2017	-	33,996	193,046	109,663	769,767	-	425,676	1,532,148
Disposal of a subsidiary	-	-	-	-	(1,334)	-	-	(1,334)
Depreciation charge for the year (Note 30)	-	17,427	35,824	17,164	86,040	-	21,010	177,465
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/ 1 January 2018	**-**	**49,946**	**224,159**	**126,827**	**836,695**	**-**	**446,686**	**1,684,313**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**(23)**	**-**	**-**	**(23)**
Depreciation charge for the year (Note 30)	**-**	**18,657**	**35,512**	**15,747**	**87,654**	**-**	**21,417**	**178,987**
Reclassification	**-**	**-**	**(13,850)**	**-**	**13,850**	**-**	**-**	**-**
Impairment loss for the year	**-**	**-**	**-**	**1,181**	**40,852**	**-**	**-**	**42,033**
Disposals	**-**	**-**	**-**	**-**	**(22,477)**	**-**	**-**	**(22,477)**
Written off	**-**	**-**	**(333)**	**(34,896)**	**(20,222)**	**-**	**(196)**	**(55,647)**
Exchange differences	**-**	**-**	**(1)**	**-**	**(7)**	**-**	**-**	**(8)**
At 31 December 2018	**-**	**68,603**	**245,487**	**108,859**	**936,322**	**-**	**467,907**	**1,827,178**
Net Carrying amount								
At 1 January 2017	159,040	1,247,912	819,871	203,863	496,192	33,779	236,582	3,197,239
At 31 December 2017	119,968	1,248,848	821,188	204,436	504,879	17,921	241,410	3,158,650
At 31 December 2018	**152,742**	**1,260,267**	**824,046**	**198,651**	**452,297**	**27,526**	**242,387**	**3,157,916**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(a) During the financial year, the Group acquired motor vehicles with an aggregate cost of RM1,200,000 (2017: RM677,000) by means of finance lease. The carrying amount of plant and equipment held under finance lease at the reporting date was RM4,379,000 (2017: RM4,654,000) as disclosed in Note 37(b).

Total cash outflow on acquisition of property, plant and equipment of the Group amounted to RM194,404,000 (2017: RM178,929,000).

(b) Buildings amounting to RM210,341,000 (2017: RM219,722,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

(c) The title of the Group's long term leasehold land with carrying amount of RM37,931,000 (2017: RM38,505,000) 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 RM68,327,000 (2017: RM69,183,000) as disclosed in Note 39(a).

(e) During the financial year, certain subsidiaries that engaged in operation of stone quarry and asphalt plants, manufacture and trading of bricks, manufacturing of clay products, manufacture and sale of porcelain and ceramic tiles carried out reviews of the recoverable amounts of their property, plant and equipment due to indication of impairment. The recoverable amounts of these property, plant and equipment were arrived at based on the higher of fair value less cost to sale ["FVLCS"] and value-in-use ["VIU"] method and were determined on the CGU level using pre-tax discount rates of 12% (2017: 12%).

Based on the impairment assessment, the Group recorded total impairment loss of RM42,033,000 (2017: RM34,870,000) on the basis that the carrying amounts exceeded recoverable amounts based on the VIU method.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Company			
At cost			
At 1 January 2017	187	5,030	5,217
Additions	-	22	22
Written off	-	(3)	(3)
At 31 December 2017/1 January 2018	**187**	**5,049**	**5,236**
Additions	**-**	**809**	**809**
Disposals	**-**	**(962)**	**(962)**
At 31 December 2018	**187**	**4,896**	**5,083**
Accumulated depreciation			
At 1 January 2017	172	3,540	3,712
Depreciation charge for the year (Note 30)	4	509	513
Written off	-	(2)	(2)
At 31 December 2017/1 January 2018	**176**	**4,047**	**4,223**
Depreciation charge for the year (Note 30)	**4**	**436**	**440**
Disposals	**-**	**(960)**	**(960)**
At 31 December 2018	**180**	**3,523**	**3,703**
Net carrying amount			
At 31 December 2017	11	1,002	1,013
At 31 December 2018	**7**	**1,373**	**1,380**

5. PREPAID LEASE PAYMENTS

	Leasehold land	
	2018 **RM'000**	**2017** **RM'000**
Group		
At cost		
At 1 January	**223,612**	226,885
Additions	**-**	1,412
Exchange differences	**(904)**	(4,685)
At 31 December	**222,708**	223,612
Accumulated amortisation		
At 1 January	**33,974**	25,518
Amortisation for the year (Note 30)	**8,421**	9,076
Exchange differences	**(10)**	(620)
At 31 December	**42,385**	33,974
Net carrying amount	**180,323**	189,638

Leasehold land amounting to RM81,281,000 (2017: RM84,897,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

6. INVESTMENT PROPERTIES

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

	Completed investment properties RM'000	IPUC RM'000	Total RM'000
Group			
At 1 January 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 from property, plant and equipment (Note 4)	12,400	84,031	96,431
Transfer to property, plant and equipment (Note 4)	(117,369)	(46,624)	(163,993)
Net gains from fair value adjustments recognised in profit or loss (Note 30)	3,860	-	3,860
Disposal of a subsidiary	(155,000)	-	(155,000)
Exchange differences	(276)	-	(276)
At 31 December 2017/1 January 2018	**1,434,848**	**104,022**	**1,538,870**
Additions from acquisition	**27,280**	**-**	**27,280**
Additions from subsequent expenditure	**887**	**76,031**	**76,918**
Transfer to property, plant and equipment (Note 4)	**(44,027)**	**-**	**(44,027)**
Net gains from fair value adjustments recognised in profit or loss (Note 30)	**1,490**	**-**	**1,490**
Exchange differences	**(29)**	**-**	**(29)**
At 31 December 2018	**1,420,449**	**180,053**	**1,600,502**

	2018 RM'000	2017 RM'000
Represented by:		
Freehold land and buildings	**1,056,717**	1,015,989
Long term leasehold land and buildings	**543,785**	522,881
	1,600,502	1,538,870

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

Investment properties amounting to RM12,959,000 (2017: RM12,986,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

Rental and direct operating expenses arising from investment properties are disclosed in Note 27 and Note 30 respectively.

6. INVESTMENT PROPERTIES (CONTINUED)

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

(a) Comparison method

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

(b) Cost method

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

(c) Investment method

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

	Range	
Significant unobservable inputs	**2018**	**2017**
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 gain on fair value adjustments amounting to RM1,490,000 (2017: RM3,860,000).

7. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Quoted shares in Malaysia, at cost	**820,811**	820,811
Unquoted shares, at cost		
- In Malaysia	**3,461,931**	3,708,318
- Outside Malaysia	**45,848**	29,751
	3,507,779	3,738,069
	4,328,590	4,558,880
Less: Impairment losses – unquoted shares	**(168,950)**	(124,287)
	4,159,640	4,434,593
Market value of quoted shares	**695,661**	1,081,667

Details of subsidiaries as of 31 December 2018 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	**53.04**	53.04
Hap Seng Land Sdn Bhd	Property development and investment holding	Malaysia	**100**	100
* Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	**80**	100
* Sunrise Addition Sdn Bhd	Investment holding	Malaysia	**100**	100
HSC International Limited	Investment holding	Labuan, Malaysia	**100**	100
* Hap Seng Auto Sdn Bhd	Trading in motor vehicles and spare parts, servicing of motor vehicles and investment holding	Malaysia	**100**	100
Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilizers and agro-chemicals	Malaysia	**100**	100
Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	**100**	100
Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
	Held by the Company: (continued)				
	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	Centralised treasury management function	Malaysia	**100**	100
#	Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	**100**	100
	Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	**100**	100
	Hap Seng Equity Sdn Bhd	Trading in marketable securities	Malaysia	**100**	100
+	Sasco Company Ltd	Investment holding	British Virgin Islands	**100**	100
*	Malaysian Mosaics Sdn Bhd ["MMSB"]	Investment holding, manufacture and sale of porcelain and ceramic tiles	Malaysia	**100**	100
	Held by HSP:				
*	Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	**100**	100
*	Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	**100**	100
*	Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
*	Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
*	Hap Seng Edible Oils Sdn Bhd	Dormant	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	2017
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
Hap Seng Land Services Sdn Bhd *(formerly known as Fresh Green Planet Sdn Bhd)*	Provision of management services	Malaysia	**100**	100
Held by Hap Seng Land Development Sdn Bhd:				
* Hap Seng Properties Development Sdn Bhd	Property development and investment holding	Malaysia	**100**	100
* Hap Seng Land Development (Kluang) Sdn Bhd	Property development	Malaysia	**100**	100
Hap Seng Land Development (Puchong) Sdn Bhd	Property development and construction	Malaysia	**100**	100
Hap Seng Land Development (JTR) Sdn Bhd	Property development	Malaysia	**100**	100
* Hap Seng Land Development (Jesselton Hill) Sdn Bhd	Property development	Malaysia	**100**	100
* Hap Seng Land Development (PJ) Sdn Bhd	Property development	Malaysia	**100**	100
Richmore Development Sdn Bhd	Property development	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by Hap Seng Land Development Sdn Bhd: (continued)				
Pacific Emerald Properties Sdn Bhd	Provision of management services	Malaysia	**100**	100
Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	Malaysia	**100**	100
Euro-Asia Brand Holding Company Sdn Bhd	Property development	Malaysia	**100**	100
Hap Seng Construction Sdn Bhd	Construction activities	Malaysia	**100**	100
Sunpoint Resources Sdn Bhd	Property development	Malaysia	**100**	100
* Sunhill Ventures Sdn Bhd	Investment in hotel development and operation	Malaysia	**-**	100
Positive Tropical Sdn Bhd	Construction activities	Malaysia	**100**	-
Positive Harmony Sdn Bhd	Construction activities	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% (2017: 40%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 40% (2017: 40%) is held by the Company)	Property development	Malaysia	**80**	80
Hap Seng Land Development And JCA Sdn Bhd	Property development	Malaysia	**60**	60
KL Midtown Sdn Bhd *(formerly known as Golden Suncity Sdn Bhd)*	Property development	Malaysia	**70**	70

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by Hap Seng Properties Development Sdn Bhd:				
* Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	**100**	100
* Hap Seng Land Development (KK) Sdn Bhd	Property development	Malaysia	**100**	100
Held by Hap Seng Realty Sdn Bhd:				
Menara Hap Seng Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Realty (Autohaus) Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Realty (KK I) Sdn Bhd	Property investment	Malaysia	**100**	100
Prosperity Projections Sdn Bhd	Property investment	Malaysia	**100**	100
Lakaran Warisan Sdn Bhd	Property investment	Malaysia	**100**	100
Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	**100**	100
Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	**100**	100
* Sunhill Ventures Sdn Bhd	Investment in hotel development and operation	Malaysia	**100**	-
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 and operating leasing of vehicles	Malaysia	**100**	100
* Hap Seng Trucks Sdn Bhd *(formerly known as Super8 Capital Sdn Bhd)*	General trading, property investment and investment holding	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by HSC International Limited:				
HSC Sydney Holding Limited	Investment holding	Labuan, Malaysia	**-**	100
+ HSC Manchester Holding Limited	Investment holding	Labuan, Malaysia	**100**	100
+ HSC Birmingham Holding Limited	Investment holding	Labuan, Malaysia	**100**	100
# HSC Melbourne Holding Pte Ltd	Investment holding	Singapore	**100**	100
# HSC Brisbane Holding Pte Ltd	Investment holding	Singapore	**100**	100
Held by HSC Sydney Holding Limited:				
* HS Credit (Sydney) Pty Ltd	Provision of financial services	Australia	**-**	100
Held by HSC Manchester Holding Limited:				
+ HSC Melbourne Pty Ltd	Dormant	Australia	**100**	100
+ HSC Credit (Manchester) Ltd	Dormant	United Kingdom	**100**	-
Held by HSC Birmingham Holding Limited:				
+ HSC Brisbane Pty Ltd	Dormant	Australia	**100**	100
+ HS Credit (Birmingham) Ltd	Dormant	United Kingdom	**100**	-
Held by HSC Melbourne Holding Pte Ltd:				
* HS Credit (Melbourne) Pty Ltd	Provision of financial services	Australia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by HSC Brisbane Holding Pte Ltd:				
+ HS Credit (Brisbane) Pty Ltd	Dormant	Australia	**100**	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	Dormant	Malaysia	**100**	100
* Hap Seng Trucks Distribution Sdn Bhd	Wholesale, distribution of trucks and vans and sales of respective spare parts including importation and assembly	Malaysia	**100**	100
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	**70**	70
Held by Macro Arch (M) Sdn Bhd:				
# PT. Sasco Indonesia (90% (2017: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2017: 10%) is held by Palms Edge (M) Sdn Bhd)	Trading and distribution of fertilizers	Indonesia	**100**	100
Held by Sasco Company Ltd:				
* Sasco (China) Co., Ltd	Trading of plywood and wholesale, import and export of fertilizers	People's Republic of China	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	2017
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
Held by Hap Seng Investment Holdings Pte Ltd:				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	**50.82**	50.82
Held by Hafary:				
* Hafary Pte Ltd	Importer and dealer of building materials	Singapore	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by Hafary Pte Ltd:				
* Surface Project Pte Ltd	Distribution and wholesale of building materials	Singapore	**70**	70
* Surface Stone Pte Ltd	Dealer of stones for home furnishing	Singapore	**90**	90
* Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	**100**	100
* Hafary Centre Pte Ltd	Investment holding	Singapore	**100**	100
* Hafary Vietnam Pte Ltd	Investment holding	Singapore	**100**	100
* Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	**100**	100
* Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	**100**	100
* Marble Trends Pte Ltd	Dealer of stones for home furnishing	Singapore	**100**	100
* Hafary Building Materials Pte Ltd	Investment holding	Singapore	**100**	100
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	**46**	46
* Gres Universal Pte Ltd	Distribution and wholesale of building materials	Singapore	**56**	56
* Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	**51**	51
* Hafary W+S Pte Ltd	Storage and warehousing of furniture and related products	Singapore	**100**	-

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2018	2017
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% (2017: 90%) equity interest is held by MMSB whilst the remaining 10% (2017: 10%) is held by MMLM)	Trading and distribution of porcelain and ceramic tiles	Indonesia	**100**	100
* MML Ceramic (Thailand) Co., Ltd (99.8% (2017: 99.8%) equity interest is held by MMSB whilst the remaining 0.2% (2017: 0.2%) is held by MMLM and MML Marketing Pte Ltd equally of 0.1% (2017: 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 the financial statements to be audited*

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries

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

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Hap Seng Credit Sdn Bhd RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2018					
NCI percentage of ownership interest and voting interest	**46.96%**	**49.18%**	**20.00%**		
Carrying amount of NCI	**769,449**	**148,611**	**311,466**	**41,829**	**1,271,355**
Profit attributable to NCI	**13,670**	**15,726**	**14,497**	**(2,639)**	**41,254**
Summarised financial information before intra-group elimination:					
As at 31 December:					
Non-current assets	**1,837,769**	**399,608**	**2,466,616**		
Current assets	**232,286**	**316,956**	**926,509**		
Non-current liabilities	**(389,251)**	**(253,507)**	**(490,546)**		
Current liabilities	**(42,370)**	**(262,459)**	**(1,345,251)**		
Net assets	**1,638,434**	**200,598**	**1,557,328**		
NCI	**-**	**(6,619)**	**-**		
Net assets attributable to owners of subsidiaries	**1,638,434**	**193,979**	**1,557,328**		
Less: Adjustments on net assets upon consolidation	**-**	**94,742**	**-**		
Adjusted net assets	**1,638,434**	**288,721**	**1,557,328**		
Year ended 31 December:					
Revenue	**390,756**	**350,103**	**165,593**		
Profit for the year	**29,109**	**30,337**	**72,484**		
Total comprehensive income	**29,109**	**29,009**	**72,484**		
Net cash flows from:					
- operating activities	**101,500**	**45,662**	**(279,417)**		
- investing activities	**(45,977)**	**(13,877)**	**(1,044)**		
- financing activities	**(59,986)**	**(31,594)**	**275,513**		
Net (decrease)/increase in cash and cash equivalents	**(4,463)**	**191**	**(4,948)**		
Dividends paid to NCI	**(28,163)**	**(7,143)**	**(13,566)**		

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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
2017				
NCI percentage of ownership interest and voting interest	46.96%	49.18%		
Carrying amount of NCI	783,951	140,921	44,468	969,340
Profit attributable to NCI	51,290	9,705	7,026	68,021
Summarised financial information before intra-group elimination:				
As at 31 December:				
Non-current assets	1,842,489	411,162		
Current assets	273,419	288,869		
Non-current liabilities	(392,811)	(265,653)		
Current liabilities	(53,786)	(248,895)		
Net assets	1,669,311	185,483		
NCI	-	(9,259)		
Net assets attributable to owners of subsidiaries	1,669,311	176,224		
Less: Adjustments on net assets upon consolidation	-	91,490		
Adjusted net assets	1,669,311	267,714		
Year ended 31 December:				
Revenue	555,072	352,941		
Profit for the year	109,218	26,191		
Total comprehensive income	109,218	24,245		
Net cash flows from:				
- operating activities	149,332	38,803		
- investing activities	(40,047)	(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)		

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

During the financial year, HSC International Limited, a wholly-owned subsidiary of the Company, disposed its entire equity interest in HSC Sydney Holding Limited ["HSH"] for total cash consideration of USD196.5 million, equivalent to RM780,793,000 as disclosed in Note 44(c).

In previous financial year, the Company disposed its entire equity interest in Hap Seng Logistics Sdn Bhd ["HSL"] for total cash consideration of RM750 million.

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

	2018 RM'000 *HSH* 100%	**2017 RM'000** *HSL* 100%
Group		
Property, plant and equipment	**(73)**	(15,065)
Investment property	**-**	(155,000)
Trade and other receivables	**(298,947)**	(87,257)
Tax recoverable	**-**	(59)
Cash and bank balances	**(42,701)**	(4,665)
Trade and other payables	**92,141**	9,468
Tax payable	**3,185**	-
Deferred tax liabilities	**-**	105
Net assets	**(246,395)**	(252,473)
Transfer from foreign exchange reserve	**(17,796)**	-
	(264,191)	(252,473)
Cash consideration	**780,793**	750,000
Net assets disposed	**(264,191)**	(252,473)
Expenses on disposal	**(583)**	(689)
Gain on disposal to the Group	**516,019**	496,838
Cash inflow arising from disposals:		
Cash consideration	**780,793**	750,000
Expenses on disposal	**(583)**	(689)
Cash and cash equivalents of subsidiaries disposed	**(42,701)**	(4,665)
Net cash inflow on disposal	**737,509**	744,646

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries (continued)

	2018 RM'000 *HSH* 100%	2017 RM'000 *HSL* 100%
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

In previous 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 ["HCS"] to another wholly-owned subsidiaries as part of the Group's re-organisation.

The disposals have the following effects on the results the Company:

	2017		
	RM'000 *HSAA* 100%	RM'000 *HCS* 100%	RM'000 Total
Company			
Cash consideration	1,804	263,966	265,770
Cost of investment	(1,000)	(263,966)	(264,966)
Gain on disposal to the Company	804	-	804

(c) Disposal of 20% equity interest in a subsidiary

During the financial year, the Company disposed 20% of the issued share capital of Hap Seng Credit Sdn Bhd ["HSCSB"] for total cash consideration of RM906 million as disclosed in Note 44(c).

The disposals have the followings effects on the results of the Group and the Company:

	Group 2018 RM'000	Company 2018 RM'000
Cash consideration	906,000	906,000
Expenses on disposal	(583)	(583)
Net cash inflow on disposal	905,417	905,417
Net assets disposed/Cost of investment	(310,846)	(269,460)
Effects on changes in ownership/Gain on disposal	594,571	635,957

8. INVESTMENT IN ASSOCIATES

	Group		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
Quoted shares, at cost			
- In Malaysia	**49,711**	49,711	49,711
- Outside Malaysia	**31,622**	31,622	31,622
	81,333	81,333	81,333
Unquoted shares, at cost			
- In Malaysia	**274,010**	274,010	274,010
- Outside Malaysia	**11,908**	11,908	11,908
	285,918	285,918	285,918
	367,251	367,251	367,251
Share of post-acquisition reserves	**121,896**	107,319	148,848
	489,147	474,570	516,099
Exchange differences	**13,387**	11,193	11,354
	502,534	485,763	527,453
Less: Accumulated impairment losses - quoted shares	**(61,947)**	(37,813)	(30,778)
	440,587	447,950	496,675
Market value of quoted shares	**93,121**	134,361	132,419

	Company	
	2018 RM'000	**2017 RM'000**
Quoted shares, at cost		
- In Malaysia	**49,711**	49,711
- Outside Malaysia	**26,030**	26,030
	75,741	75,741
Unquoted shares, at cost		
- In Malaysia	**28,000**	28,000
	28,000	28,000
	103,741	103,741
Less: Accumulated impairment losses - quoted shares	**(33,203)**	(29,811)
	70,538	73,930
Market value of quoted shares	**93,121**	134,361

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2018 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2018	2017
Held by the Company:					
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	**24.96**	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	**20.00**	20.00
GLM Emerald (Sepang) Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	**20.00**	20.00
Held by Hap Seng Realty (KL City) Sdn Bhd:					
* Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	**49.99**	49.99
Held by Hafary Vietnam Pte Ltd:					
* Viet Ceramics International Joint Stock Company	Importer and dealer of building materials	Socialist Republic of Vietnam	31 December	**49.00**	49.00

* *Audited by firms other than Ernst & Young*
\# *Audited by member firm of Ernst & Young Global in the respective countries*

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and GLM Emerald (Sepang) Sdn Bhd whose financial year end are 31 May and 30 June respectively which are coterminous with their respective holding companies' financial year end. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 December 2018.

8. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
2018				
(i) Summary of financial information				
As at 31 December:				
Non-current assets	**692,600**	**365,473**	**341,479**	**1,399,552**
Current assets	**53,184**	**309,814**	**156,186**	**519,184**
Non-current liabilities	**(205,883)**	**(23,032)**	**(9,529)**	**(238,444)**
Current liabilities	**(10,248)**	**(162,662)**	**(48,206)**	**(221,116)**
Net assets	**529,653**	**489,593**	**439,930**	**1,459,176**
NCI	**-**	**(40,084)**	**-**	**(40,084)**
Net assets attributable to owner of associates	**529,653**	**449,509**	**439,930**	**1,419,092**
Year ended 31 December:				
Revenue	**40,578**	**887,368**	**963,090**	**1,891,036**
(Loss)/Profit for the year	**(2,847)**	**39,833**	**65,321**	**102,307**
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	**264,825**	**89,900**	**118,751**	**473,476**
Goodwill	**954**	**318**	**27,786**	**29,058**
Impairment losses	**-**	**(13,605)**	**(48,342)**	**(61,947)**
Carrying amount in statement of financial position	**265,779**	**76,613**	**98,195**	**440,587**
(iii) Group's share of results of associates	**(1,424)**	**7,964**	**20,086**	**26,626**
(iv) Dividends received from associates	**7,000**	**3,408**	**1,641**	**12,049**

8. INVESTMENT IN ASSOCIATES (CONTINUED)

	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	369,236	297,501	1,358,517
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	455,812	378,942	1,381,254
NCI	-	(39,859)	-	(39,859)
Net assets attributable to owner of associates	546,500	415,953	378,942	1,341,395
Year ended 31 December:				
Revenue	42,768	960,972	409,036	1,412,776
Profit for the year	20,854	53,635	34,730	109,219
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	273,249	83,191	100,265	456,705
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(37,813)	(37,813)
Carrying amount in statement of financial position	274,203	83,509	90,238	447,950
(iii) Group's share of results of associates	10,427	10,727	13,437	34,591
(iv) Dividends received from associates	13,000	1,824	61,296	76,120

8. INVESTMENT IN ASSOCIATES (CONTINUED)

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
1.1.2017				
(i) Summary of financial information				
As at 31 December:				
Non-current assets	690,998	362,809	254,508	1,308,315
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	404,178	653,146	1,608,970
NCI	-	(41,048)	-	(41,048)
Net assets attributable to owner of associates	551,646	363,130	653,146	1,567,922
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	275,822	72,626	149,947	498,395
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(30,778)	(30,778)
Carrying amount in statement of financial position	276,776	72,944	146,955	496,675

9. INVESTMENT IN JOINT VENTURES

	Group 2018 RM'000	Group 2017 RM'000
Unquoted shares outside Malaysia, at cost	**9,880**	9,865
Share of post-acquisition reserves	**(2,100)**	(432)
Exchange differences	**(258)**	-
At 31 December	**7,522**	9,433

Details of the joint ventures as of 31 December 2018 are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2018	Equity interest held (%) 2017
Held by Hafary Pte Ltd:					
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	31 December	**50.00**	50.00
# Hafary Myanmar Investment Pte Ltd	Investment holding	Singapore	31 December	**33.33**	-
Held by Hafary Building Materials Pte Ltd:					
* Guangdong ITA Element Building Materials Co., Limited	Production and distribution of tiles	People's Republic of China	31 December	**50.00**	50.00

* *Audited by a firm other than Ernst & Young*

\# *The unaudited management financial statements at 31 December 2018 of joint venture have been used for equity accounting purpose as the joint venture is not material.*

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table summarises the information of the Group's joint ventures.

	Group	
	2018	**2017**
	RM'000	**RM'000**
(i) Summary of financial information		
As at 31 December:		
Non-current assets	**2,124**	2,344
Current assets	**32,769**	21,498
Non-current liabilities	**-**	(15)
Current liabilities	**(19,823)**	(4,962)
Net assets	**15,070**	18,865
Year ended 31 December:		
Revenue	**23,394**	11,462
Loss for the year	**(3,278)**	(1,191)
(ii) Group's share of net assets/carrying amount in statement of financial position	**7,522**	9,433
(iii) Group's share of results of joint ventures	**(1,624)**	(597)
(iv) Dividends received from a joint venture	**44**	106

10. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2018 RM'000	**2017 RM'000**
Cost:		
At 1 January	**779,460**	712,642
Additions	**584,918**	174,385
Transfer to property development costs (Note 16)	**(184,787)**	(57,114)
Costs charged to profit or loss	**(109,237)**	(50,453)
At 31 December	**1,070,354**	779,460
Represented by:		
Freehold land	**310,184**	361,204
Leasehold land	**530,967**	180,629
Land development expenditure	**229,203**	237,627
	1,070,354	779,460

Included in additions was interest expense capitalised of RM20,061,000 (2017: RM11,475,000).

11. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Distributor rights RM'000	Total RM'000
Group				
At cost				
At 1 January 2017/31 December 2017	**100,962**	**39,149**	**-**	**140,111**
Acquisition of business	**4,201**	**-**	**1,523**	**5,724**
Exchange differences	**-**	**5,445**	**-**	**5,445**
At 31 December 2018	**105,163**	**44,594**	**1,523**	**151,280**
Accumulated amortisation/ impairment loss				
At 1 January 2017	15,813	39,149	-	54,962
Impairment loss	48,413	-	-	48,413
At 31 December 2017/1 January 2018	**64,226**	**39,149**	**-**	**103,375**
Amortisation	**-**	**-**	**17**	**17**
Reversal of impairment loss	**-**	**(10,404)**	**-**	**(10,404)**
Exchange differences	**-**	**5,445**	**-**	**5,445**
At 31 December 2018	**64,226**	**34,190**	**17**	**98,433**
Net carrying amount				
At 31 December 2017	36,736	-	-	36,736
At 31 December 2018	**40,937**	**10,404**	**1,506**	**52,847**

(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 2018 RM'000	Group 2017 RM'000
Plantation	**36,736**	36,736
Automotive	**4,201**	-
	40,937	36,736

(i) The recoverable amount of the plantation CGU has been determined based on the fair value less costs to sell of its non-current assets.

11. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (continued)

(ii) The recoverable amount of the automotive CGU has been determined based on VIU method using the cash flow projections budgets prepared by the management covering a five-year period, discounted at the rate of 12% which reflects the risks specific to the CGU.

(b) Customer relationship

The cost of customer relationship with definite useful life is amortised over a period of 5 years.

(c) Distributor rights

The cost of distributor rights with definite useful life is amortised over a period of 15 years.

12. TRADE AND OTHER RECEIVABLES

	Group		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
Non-current			
Trade receivables			
Lease receivables	**181**	452	1,532
Hire purchase receivables	**745,605**	596,992	441,801
Loan receivables	**1,190,927**	1,001,786	650,524
	1,936,713	1,599,230	1,093,857
Less: Allowance for impairment	**(15,277)**	(14,382)	(12,920)
Advances received	**(69,305)**	(57,698)	(39,683)
	1,852,131	1,527,150	1,041,254
Non-trade receivables			
Contingent consideration	**52,204**	39,207	-
Other receivables	**3,006**	-	-
	55,210	39,207	-
	1,907,341	1,566,357	1,041,254

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
Current			
Trade receivables			
Third parties	**1,024,035**	936,614	800,315
Lease receivables	**1,176**	3,124	4,898
Hire purchase receivables	**495,162**	427,741	385,309
Loan receivables	**342,833**	370,191	249,808
Amounts due from other related companies	**1,251**	1,140	1,230
Amounts due from associates	**-**	6	4,051
Amounts due from a joint venture	**164**	1,673	503
	1,864,621	1,740,489	1,446,114
Less: Allowance for impairment	**(38,641)**	(30,748)	(33,455)
Interest in suspense	**(11,662)**	(10,408)	(12,532)
Advances received	**(36,459)**	(31,779)	(30,093)
	1,777,859	1,667,554	1,370,034
Non-trade receivables			
Other receivables	**103,030**	457,846	508,818
Prepayments	**59,046**	43,979	23,865
Goods and Services Tax ("GST") recoverable	**33,860**	10,275	26,210
Profit guarantee shortfall due from holding company	**175,307**	35,578	-
Contingent consideration	**52,070**	16,377	-
Amounts due from associates	**4,179**	-	4,541
Amounts due from joint ventures	**5,591**	1,628	2,035
	433,083	565,683	565,469
	2,210,942	2,233,237	1,935,503
Total trade and other receivables (current and non-current)	**4,118,283**	3,799,594	2,976,757
Less: Prepayments	**(59,046)**	(43,979)	(23,865)
GST recoverable	**(33,860)**	(10,275)	(26,210)
Add: Cash and bank balances (Note 19)	**613,632**	648,257	684,284
Total financial assets at amortised cost	**4,639,009**	4,393,597	3,610,966

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Company 2018 RM'000	Company 2017 RM'000
Non-current		
Non-trade receivables		
Contingent consideration	**52,204**	39,207
Current		
Non-trade receivables		
Other receivables	**616**	685
Prepayments	**31**	84
Profit guarantee shortfall due from holding company	**175,307**	35,578
Contingent consideration	**52,070**	16,377
Amounts due from subsidiaries	**1**	95,318
	228,025	148,042
Total trade and other receivables (current and non-current)	**280,229**	187,249
Less: Prepayments	**(31)**	(84)
Add: Cash and bank balances (Note 19)	**175,062**	184,938
Total financial assets at amortised cost	**455,260**	372,103

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

(i) Third parties

These amounts are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2017: 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			
2018			
Less than 1 year	**565,672**	**(69,334)**	**496,338**
Between 1 and 5 years	**808,265**	**(62,479)**	**745,786**
	1,373,937	**(131,813)**	**1,242,124**
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

(iii) Amounts due from other related companies

Amounts due from other related companies are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 12(a)(i).

(iv) Amounts due from associates and 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 12(a)(i).

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
Total trade receivables:			
- Current	**1,864,621**	1,740,489	1,446,114
- Non-current	**1,936,713**	1,599,230	1,093,857
	3,801,334	3,339,719	2,539,971

The ageing analysis of trade receivables is as follows:

	Group		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
Neither past due nor impaired	**340,220**	359,069	268,195
Past due but not impaired:			
- Past due 1 - 30 days	**134,514**	93,598	104,538
- Past due 31 - 90 days	**103,959**	79,623	63,432
- Past due more than 90 days	**96,824**	51,753	66,582
	335,297	224,974	234,552
Assessed individually	**96,593**	60,945	61,336
Assessed collectively	**3,029,224**	2,694,731	1,975,888
Total trade receivables	**3,801,334**	3,339,719	2,539,971

The movement in the allowance for impairment loss is as follows:

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**45,130**	46,375
Allowance for impairment losses (Note 30)	**25,315**	16,881
Reversal of impairment losses (Note 30)	**(12,309)**	(11,208)
Written off	**(2,976)**	(6,740)
Disposal of subsidiaries	**(1,037)**	-
Exchange differences	**(205)**	(178)
At 31 December	**53,918**	45,130

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables

(i) Profit guarantee to purchase price

In the acquisition of Malaysian Mosaics Sdn Bhd ["MMSB"] in the financial year 2016, the Company entered into a share sale agreement with Gek Poh (Holdings) Sdn Bhd ["Gek Poh"], whereby as an integral basis and component to the purchase price, Gek Poh has provided a guarantee that the consolidated profit after tax ["PAT"] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016 ["Guaranteed PAT"].

The Guaranteed PAT and the audited PAT/loss after tax ["LAT"] up to the year ended 31 December 2018 are as follows:

	Guaranteed PAT RM'000	PAT/LAT RM'000	Surplus/ (shortfall) RM'000
31 December 2016	30,710	*30,826	116
31 December 2017	40,927	**5,233	(35,694)
31 December 2018	53,897	*(121,410)	(175,307)
31 December 2019	67,523	^	^
31 December 2020	81,973	^	^
Total	275,030	(85,351)	(210,885)

* *audited PAT/LAT*
** *audited PAT, excluding the net gain from disposal of land and buildings of approximately RM60.33 million*
^ *information is not available yet as this pertains to the future*

Based on the audited results of MMSB for the financial year ended 31 December 2018, the Guaranteed PAT for the financial year ended 31 December 2018 has not been fulfilled, therefore, Gek Poh has an obligation to pay the shortfall of RM175,307,000 (2017: RM35,578,000) to the Company. Accordingly, the Group and the Company has recognised the aforesaid profit guarantee shortfall in the profit or loss as disclosed in Note 29(a).

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables (continued)

(ii) Contingent consideration

The Group and the Company have reassessed the projected profits for each of the remaining profit guarantee years to determine the fair value of contingent asset, if any, to be recognised for the potential right to the return of previously transferred consideration. An additional contingent consideration of RM48,690,000 due from Gek Poh has been recognised in the profit or loss as disclosed in Note 29(a).

(iii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest bearing and repayable on demand. In the previous financial year, interest was charged at 4.56% per annum.

(iv) Amounts due from associates and joint ventures

Amounts due from associates and joint ventures are unsecured, non-interest bearing and repayable on demand except for an amount due from associate of RM4,179,000 for the Group 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		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
United States Dollar ["USD"]	**29,918**	40,824	42,636
Australian Dollar ["AUD"]	**-**	-	342
Singapore Dollar ["SGD"]	**10,320**	12,546	8,890
Chinese Renminbi ["RMB"]	**15,770**	1,932	-
Euro	**31**	171	282
Brunei Dollar ["BND"]	**-**	-	512
	56,039	55,473	52,662

	Company	
	2018 RM'000	**2017 RM'000**
Australian Dollar ["AUD"]	**-**	95,318

13. CONTRACT ASSETS

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	**172,422**	87,326
Add: Property development revenue recognised during the year	**421,148**	346,968
Less: Progress billings during the year	**(392,165)**	(261,872)
At 31 December	**201,405**	172,422

The remaining contractual billings to customers from property development activities amounted to RM1,190,119,000 (2017: RM765,736,000) and will be billed progressively upon fulfilment of contractual milestone not withstanding if control of the assets has not been transferred to the customers. The contractual billings period for property development ranges within 1 year to 3 years (2017: within 1 year to 3 years).

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group 2018 RM'000	Group 2017 RM'000
OTHER FINANCIAL ASSETS		
Non-current		
Financial assets at fair value through other comprehensive income		
- Equity investments (unquoted in Malaysia)	**18,012**	18,012
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps – cash flow hedges	**10,988**	3,546
Financial assets at fair value through profit or loss		
- Equity investments (quoted outside Malaysia)	**1,282**	1,779
- Equity investments (unquoted outside Malaysia)	**-**	6,226
	1,282	8,005
	30,282	29,563
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts – cash flow hedges	**214**	-
- Cross currency interest rate swaps – cash flow hedges	**4,114**	30,884
	4,328	30,884
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**131**	23
	4,459	30,907

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

	Group	
	2018 RM'000	**2017 RM'000**
OTHER FINANCIAL LIABILITIES		
Non-current		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps – cash flow hedges	**3,026**	7,170
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts – fair value hedges	**-**	6,453
- Forward currency contracts – cash flow hedges	**324**	4,665
- Cross currency interest rate swaps – cash flow hedges	**646**	25,805
	970	36,923
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**2,970**	796
	3,940	37,719

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 2019 (2017: June 2018). 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 USD (2017: 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	
	2018 RM'000	**2017 RM'000**
Cost		
Properties held for sale	**221,246**	111,069
Raw materials	**95,203**	99,771
Produce inventories	**5,329**	32,318
Work-in-progress	**13,198**	27,479
Finished goods	**1,002,492**	797,976
	1,337,468	1,068,613
Net realisable value		
Raw materials	**12,376**	9,113
Produce inventories	**40,661**	-
Finished goods	**333,771**	270,873
	386,808	279,986
	1,724,276	1,348,599
Recognised in profit or loss		
Inventories recognised as cost of sales	**4,368,678**	3,776,583

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 2017	315,400	535,063	(160,685)	689,778
Transfer from/(to):				
- land held for property development (Note 10)	15,626	41,488	-	57,114
- inventories	(1,665)	(46,202)	-	(47,867)
Costs incurred during the year	-	386,293	-	386,293
Costs charged to profit or loss	-	-	(254,828)	(254,828)
Reversal of completed projects	(6,217)	(204,216)	210,433	-
At 31 December 2017/1 January 2018	**323,144**	**712,426**	**(205,080)**	**830,490**
Transfer from/(to):				
- land held for property development (Note 10)	**129,090**	**55,697**	**-**	**184,787**
- inventories	**(4,267)**	**(121,322)**	**-**	**(125,589)**
Costs incurred during the year	**1,329**	**583,448**	**-**	**584,777**
Costs charged to profit or loss	**-**	**-**	**(231,025)**	**(231,025)**
Reversal of completed projects	**(1,508)**	**(9,493)**	**11,001**	**-**
At 31 December 2018	**447,788**	**1,220,756**	**(425,104)**	**1,243,440**

Included in the property development costs incurred during the financial year was interest expense capitalised of RM8,813,000 (2017: RM14,405,000).

17. BIOLOGICAL ASSETS

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	**19,550**	37,667
Net loss from fair value adjustments recognised in profit or loss (Note 30)	**(3,113)**	(18,117)
At 31 December	**16,437**	19,550

17. BIOLOGICAL ASSETS (CONTINUED)

The biological assets of the Group comprise fresh fruit bunches ("FFB") prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. The net present value of cash flows is then determined with reference to the market value of FFB based on Malaysian Palm Oil Board reference price as at reporting date, adjusted for production costs and other costs to sell.

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

Sensitivity analysis for FFB

The sensitivity analysis below indicates the approximate change in the Group's fair value of FFB and profit for the year that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the reporting date, assuming all other estimates, assumptions and other variables remained constant.

	2018		2017	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year
Selling price	**10%**	**4,494**	10%	4,840
	(10%)	**(4,494)**	(10%)	(4,840)
Production volume	**10%**	**1,519**	10%	1,817
	(10%)	**(1,519)**	(10%)	(1,817)

18. MONEY MARKET DEPOSITS

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

Included in money market deposits of the Group and of the Company at reporting date are amounts of RM819,188,000 (2017: RM Nil) denominated in USD. Other information on financial risks of money market deposits are disclosed in Note 41.

19. CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	**362,962**	354,413	**5,762**	778
Deposits with licensed banks	**250,670**	293,844	**169,300**	184,160
Cash and bank balances	**613,632**	648,257	**175,062**	184,938

Included in cash at banks of the Group are amounts totalling RM45,283,000 (2017: RM39,536,000), 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 RM78,921,000 (2017: RM87,245,000) and RM5,643,000 (2017: RM732,000) respectively which earned interest at floating rates of 1.0% to 3.0% (2017: 1.0% to 3.0%) per annum for the Group and 2.6% to 3.0% (2017: 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD	**8,818**	6,783	**237**	-
SGD	**169,146**	184,160	**169,063**	184,160
Vietnamese Dong ["VND"]	**3,118**	1,849	**-**	-
Euro	**11**	11	**-**	-
RMB	**6**	-	**-**	-
	181,099	192,803	**169,300**	184,160

Other information on financial risks of cash and cash equivalents are disclosed in Note 41.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current				
Trade payables				
Accruals	**132,653**	-	**-**	-
Advance received	**618**	188	**-**	-
Deferred lease income	**897**	-	**-**	-
Deposits received	**11,532**	1,339	**-**	-
	145,700	1,527	**-**	-
Current				
Trade payables				
Third parties	**705,941**	457,137	**-**	-
Accruals	**88,937**	35,797	**-**	-
Advance received	**123**	188	**-**	-
Deferred lease income	**425**	-	**-**	-
Deposits received	**9,039**	15,053	**-**	-
Amounts due to other related companies	**2,602**	407	**-**	-
Amounts due to associates	**109**	-	**-**	-
Amounts due to a joint venture	**433**	984	**-**	-
	807,609	509,566	**-**	-
Non-trade payables				
Accruals	**154,642**	245,208	**2,999**	3,471
Other payables	**180,261**	228,079	**40**	17
GST payable	**23**	4,218	**-**	-
Amounts due to subsidiaries	**-**	-	**307,805**	528,263
	334,926	477,505	**310,844**	531,751
	1,142,535	987,071	**310,844**	531,751
Total trade and other payables (current and non-current)	**1,288,235**	988,598	**310,844**	531,751
Less: GST payable	**(23)**	(4,218)	**-**	-
Add: Borrowings (Note 23)	**5,428,983**	4,478,875	**-**	-
Total financial liabilities carried at amortised cost	**6,717,195**	5,463,255	**310,844**	531,751

20. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2017: 30 to 90 days).

(ii) Amounts due to other related companies

Amounts due to other related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 20(a)(i).

(iii) Amounts due to associates and a joint venture

Amounts due to associates and a joint venture are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 20(a)(i).

(b) Non-trade payables

(i) Other payables

These amounts are non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM38,904,000 (2017: RM72,529,000) 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% (2017: 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 RM307,000,000 (2017: RM527,380,000) which bears interest at rate of 4.68% (2017: 4.56%) 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	
	2018 RM'000	**2017 RM'000**
USD	**142,295**	83,246
Euro	**1,274**	6,851
SGD	**793**	1,714
RMB	**3,635**	11,294
	147,997	103,105

21. PROVISIONS

	Property development obligations RM'000	Foreseeable losses RM'000	Rebates RM'000	Total RM'000
Group				
At 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/ 1 January 2018	**4,975**	**-**	**1,983**	**6,958**
Reversal during the year	**(4,918)**	**-**	**-**	**(4,918)**
Provision made during the year	**-**	**-**	**2,700**	**2,700**
Provision utilised during the year	**(57)**	**-**	**(1,979)**	**(2,036)**
Exchange differences	**-**	**-**	**(4)**	**(4)**
At 31 December 2018	**-**	**-**	**2,700**	**2,700**

	2018 RM'000	2017 RM'000
Current	**2,700**	6,958

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 rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.

22. EMPLOYEE BENEFITS

Retirement benefits

	Group 2018 RM'000	Group 2017 RM'000
Defined benefit obligation	**3,297**	6,155

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% (2017: 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 2018 RM'000	Group 2017 RM'000
At 1 January	**6,155**	5,600
Exchange differences	**(13)**	(17)
	6,142	5,583
Included in profit or loss:		
Current service cost	**376**	386
Interest cost	**325**	326
Past service cost	**(3,295)**	-
	(2,594)	712
Included in other comprehensive income:		
Remeasurement loss arising from financial assumptions	**13**	113
Others:		
Benefits paid	**(264)**	(250)
Exchange differences	**-**	(3)
At 31 December	**3,297**	6,155

Plan assets

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

22. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2018	**2017**
	%	**%**
Discount rate	**5.40 - 8.25**	5.75 - 7.05
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			
	2018		**2017**	
	Increase RM'000	**Decrease RM'000**	**Increase RM'000**	**Decrease RM'000**
Defined benefit obligation				
Discount rate (1% movement)	**(306)**	**389**	(631)	750
Future salary growth (1% movement)	**159**	**(119)**	401	(351)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

23. BORROWINGS

	Group	
	2018 RM'000	2017 RM'000
Non-current		
Secured:		
Term loans	**250,804**	262,671
Finance leases	**991**	1,259
	251,795	263,930
Unsecured:		
Term loans	**1,468,758**	1,331,307
Medium term notes	**1,090,000**	-
	2,558,758	1,331,307
	2,810,553	1,595,237
Current		
Secured:		
Term loans	**13,446**	12,843
Revolving credits	**90,915**	89,282
Trust receipts	**77,126**	72,938
Finance leases	**1,227**	1,253
	182,714	176,316
Unsecured:		
Term loans	**574,156**	839,859
Revolving credits	**1,628,566**	1,642,050
Bankers' acceptances	**222,994**	225,413
Commercial papers	**10,000**	-
	2,435,716	2,707,322
	2,618,430	2,883,638
Total borrowings	**5,428,983**	4,478,875

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 6.

23. BORROWINGS (CONTINUED)

On 30 July 2018, Hap Seng Management Sdn Bhd ["HSM"], a wholly-owned subsidiary of the Company lodged with the Securities Commission Malaysia to establish an unrated medium term notes ["MTN"] programme of up to RM5.0 billion in nominal value ["MTN Programme"] and an unrated commercial papers ["CP"] programme of up to RM1.0 billion in nominal value ["CP Programme"], which have a combined limit of RM5.0 billion in nominal value. The tenures of the MTN and CP Programmes are 20 years and 7 years respectively from the date of first issuance on 29 August 2018. The MTN Programme and the CP Programme are collectively referred to as the Programmes.

The proceeds from the Programmes are utilised by HSM for advancing to the Group for general corporate purposes and working capital.

The remaining maturities of the borrowings are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Within one year	**2,618,430**	2,883,638
More than 1 year and less than 2 years	**779,024**	411,459
More than 2 years and less than 5 years	**1,777,964**	954,714
More than 5 years	**253,565**	229,064
	5,428,983	4,478,875

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	
	2018 RM'000	**2017 RM'000**
SGD	**-**	282,515
USD	**965,494**	1,315,782
Euro	**28,835**	26,402
	994,329	1,624,699

Other information on financial risks of borrowings are disclosed in Note 41.

23. 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				
2018				
Non-current				
Term loans	**1,593,978**	**524,749**	**(399,165)**	**1,719,562**
Finance leases	**1,259**	**-**	**(268)**	**991**
Medium term notes	**-**	**1,090,000**	**-**	**1,090,000**
Current				
Term loans	**852,702**	**(663,611)**	**398,511**	**587,602**
Revolving credits	**1,731,332**	**(21,831)**	**9,980**	**1,719,481**
Trust receipts	**72,938**	**(33,468)**	**37,656**	**77,126**
Finance leases	**1,253**	**(1,485)**	**1,459**	**1,227**
Bankers' acceptances	**225,413**	**35,416**	**(37,835)**	**222,994**
Commercial papers	**-**	**10,000**	**-**	**10,000**
Total liabilities from financing activities	**4,478,875**	**939,770**	**10,338**	**5,428,983**
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

24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	**460,019**	466,572	**15**	21
Recognised in profit or loss (Note 33)	**(11,905)**	(6,015)	**-**	(6)
Acquisition of business	**366**	-	**-**	-
Disposal of a subsidiary	**-**	(105)	**-**	-
Exchange differences	**6**	(433)	**-**	-
At 31 December	**448,486**	460,019	**15**	15
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**483,955**	475,266	**15**	15
Deferred tax assets	**(35,469)**	(15,247)	**-**	-
	448,486	460,019	**15**	15

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

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2018	**499,224**	**43,116**	**4,538**	**546,878**
Recognised in profit or loss	**(27,302)**	**17,325**	**4,597**	**(5,380)**
Acquisition of business	**-**	**-**	**366**	**366**
Exchange differences	**(60)**	**-**	**-**	**(60)**
At 31 December 2018	**471,862**	**60,441**	**9,501**	**541,804**
Less: Deferred tax assets offset				**(57,849)**
Deferred tax liabilities recognised				**483,955**
At 1 January 2017	519,219	38,769	-	557,988
Recognised in profit or loss	(18,538)	4,347	4,538	(9,653)
Disposal of a subsidiary	(921)	-	-	(921)
Exchange differences	(536)	-	-	(536)
At 31 December 2017	499,224	43,116	4,538	546,878
Less: Deferred tax assets offset				(71,612)
Deferred tax liabilities recognised				475,266

24. 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 2018	**(54,613)**	**(18,387)**	**(13,859)**	**(86,859)**
Recognised in profit or loss	**11,106**	**632**	**(18,263)**	**(6,525)**
Exchange differences	**-**	**1**	**65**	**66**
At 31 December 2018	**(43,507)**	**(17,754)**	**(32,057)**	**(93,318)**
Offset against deferred tax liabilities				**57,849**
Deferred tax assets recognised				**(35,469)**
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)

Deferred tax liabilities of the Company:

	2018 RM'000	2017 RM'000
Property, plant and equipment		
At 1 January	**15**	21
Recognised in profit or loss	**-**	(6)
At 31 December	**15**	15

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

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

	Group	
	2018 RM'000	2017 RM'000
Unutilised tax losses	**128,723**	168,444
Unabsorbed capital and agriculture allowances	**152,692**	91,462
Unabsorbed reinvestment allowances	**130,126**	113,296
Other temporary differences	**43,452**	27,771
	454,993	400,973

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.

25. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Authorised:				
At 1 January	**-**	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	**-**	-	**-**	-
Issued and fully paid:				
At 1 January	**2,489,682**	2,489,682	**3,519,554**	2,489,682
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**	3,519,554

25. 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 in the previous financial year. 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.

The Company did not utilise the amounts standing to the credit of the share premium and capital redemption reserve accounts within 24 months from the commencement of the Act.

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 30 May 2018, 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 (2017: 4,000) shares at the cost of RM39,567 (2017: RM37,547). All repurchases of shares were financed by the Company's internally generated funds.

At 31 December 2018, the Company held 10,000 (2017: 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 2017/1 January 2018	**6,000**	**53,529**	**8.92**
Repurchased during the year	**4,000**	**39,567**	**9.89**
As of 31 December 2018	**10,000**	**93,096**	**9.31**

26. RESERVES

	Group		
	2018 RM'000	**2017 RM'000**	**1.1.2017 RM'000**
(a) Non-distributable reserves	**119,629**	69,814	1,058,398
(b) Distributable reserve			
- Retained profits	**3,386,298**	2,548,547	2,321,136
	3,505,927	2,618,361	3,379,534

	Company	
	2018 RM'000	**2017 RM'000**
(a) Non-distributable reserves	**-**	(30,973)
(b) Distributable reserve		
- Retained profits	**1,679,732**	862,985
	1,679,732	832,012

26. 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	Other reserve RM'000	Total non-distributable reserves RM'000
Group									
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

26. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group (continued)						
At 1 January 2018	**35,038**	**(13,439)**	**5,174**	**74,014**	**(30,973)**	**69,814**
Foreign currency translation differences for foreign operations	-	-	(2,769)	-	-	(2,769)
Share of foreign currency translation differences of:						
- associates	-	-	2,174	-	-	2,174
- joint ventures	-	-	(131)	-	-	(131)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	17,796	-	-	17,796
Change in fair value of cash flow hedge	-	1,715	-	-	-	1,715
Total other comprehensive income for the year	-	1,715	17,070	-	-	18,785
Changes in ownership interest in subsidiaries	-	57	-	-	-	57
Transfer to retained profits	-	-	-	-	30,973	30,973
At 31 December 2018	**35,038**	**(11,667)**	**22,244**	**74,014**	**-**	**119,629**

26. 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 as at 31 January 2017 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 (2017: 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 (2017: 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 as at 31 January 2017 became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act.

26. 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) Other reserve

This reserve arose from the Rights Issue with Warrants Exercise undertaken by the Company.

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2018 under the single tier system.

27. REVENUE AND COST OF SALES

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Dividend income:				
- From subsidiaries	**-**	-	**920,138**	363,144
- From associates	**-**	-	**3,770**	62,482
Sale of plantation produce	**390,756**	555,072	**-**	-
Sale of goods and services	**4,471,909**	3,652,752	**-**	-
Interest income from provision of financial services	**228,289**	157,966	**-**	-
Sale of properties under development	**421,148**	346,968	**-**	-
Sale of completed properties	**21,405**	91,566	**-**	-
Sale of lands	**655,091**	432,149	**-**	-
Property rental	**57,921**	57,520	**-**	-
	6,246,519	5,293,993	**923,908**	425,626

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 38.

28. FINANCE COSTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest expense on:				
Bank borrowings	**196,969**	163,916	**-**	-
Borrowings from other institutions	**14,995**	4,023	**-**	-
Amount due to a related party	**2,277**	4,280	**-**	-
Amount due to a subsidiary	**-**	-	**8,766**	855
Others	**704**	-	**-**	-
	214,945	172,219	**8,766**	855
Less: Interest expense capitalised in:				
- Land held for property development (Note 10)	**(20,061)**	(11,475)	**-**	-
- Property development costs (Note 16)	**(8,813)**	(14,405)	**-**	-
	186,071	146,339	**8,766**	855

29. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(a) Other gain items				
Gain on disposal of subsidiaries	**516,019**	496,838	**-**	499,959
Gain on disposal of 20% equity interest in a subsidiary	**-**	-	**635,957**	-
Profit guarantee shortfall receivable from holding company (Note 12(b)(i))	**175,307**	35,578	**175,307**	35,578
Contingent consideration (Note 12(b)(ii))	**48,690**	55,584	**48,690**	55,584
Reversal of impairment loss on intangible assets - customer relationship	**10,404**	-	**-**	-
	750,420	588,000	**859,954**	591,121

29. OTHER GAIN/(LOSS) ITEMS (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(b) Other loss items				
Impairment loss on investment in a subsidiary	**-**	-	**(44,663)**	(37,278)
Impairment loss on investment in associates	**(24,134)**	(7,035)	**(3,392)**	(5,427)
Impairment loss on intangible assets – goodwill	**-**	(48,413)	**-**	-
	(24,134)	(55,448)	**(48,055)**	(42,705)

30. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging/ (crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young	**628**	587	**130**	130
- overseas member firms of Ernst & Young	**222**	175	**-**	-
- other auditors	**1,626**	1,523	**-**	-
- under/(over) provision in prior years				
- Ernst & Young	**78**	-	**-**	-
- other auditors	**(6)**	95	**-**	-
Non audit fees for services rendered by				
- Ernst & Young	**175**	20	**100**	15
- local member firms of Ernst & Young	**622**	740	**121**	158
- overseas member firms of Ernst & Young	**59**	47	**25**	25
Operating lease payments on:				
- land and buildings	**42,245**	35,362	**23**	18
- plant and machinery	**32,667**	28,908	**-**	-
- motor vehicles	**6,151**	1,974	**1,039**	1,032

30. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit before tax is arrived at after charging/ (crediting): (continued)				
Depreciation of property, plant and equipment (Note 4)	**178,987**	177,465	**440**	513
Amortisation of prepaid lease payments (Note 5)	**8,421**	9,076	**-**	-
Amortisation of intangible assets (Note 11)	**17**	-	**-**	-
Property, plant and equipment written off	**18,642**	3,174	**-**	1
Loss on fair value of biological assets	**3,113**	18,117	**-**	-
Share-based payment expense	**-**	193	**-**	-
Bad debts written off	**628**	175	**-**	-
Allowance for impairment losses				
- trade receivables (Note 12)	**25,315**	16,881	**-**	-
Net inventories written down	**28,807**	12,094	**-**	-
Employee benefits expenses (Note 31)	**449,605**	430,030	**10,834**	11,196
Direct operating expenses arising from investment properties – rental generating properties	**29,209**	30,411	**-**	-
Loss/(gain) on equity investment at fair value through profit or loss	**78**	(9,216)	**-**	-
Net foreign exchange (gains)/loss	**(4,761)**	11,690	**(3,959)**	16,593
Gain on disposal of property, plant and equipment	**(1,839)**	(95,963)	**(70)**	-
Gain on money market deposits at fair value	**(3,592)**	(1,403)	**(2,045)**	-
Net gains from fair value adjustments of investment properties (Note 6)	**(1,490)**	(3,860)	**-**	-
Impairment loss on property, plant and equipment	**42,033**	34,870	**-**	-
Dividend income from equity investment at fair value through other comprehensive income	**(720)**	(720)	**-**	-
Dividend income from money market deposits	**(7,985)**	(15,028)	**(4,589)**	-

30. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging/ (crediting): (continued)				
Dividend income				
- from subsidiaries	**-**	-	**(920,138)**	(363,144)
- from associates	**-**	-	**(3,770)**	(62,482)
Reversal of impairment losses				
- trade receivables (Note 12)	**(12,309)**	(11,208)	**-**	-
Reversal of provisions	**(4,918)**	(14,500)	**-**	-
Recovery of bad debts	**(898)**	(840)	**-**	-
Rental income from properties	**(11,203)**	(8,002)	**-**	(7)
Interest income from:				
- deposits with licensed banks	**(15,237)**	(11,350)	**(3,432)**	(1,502)
- discounting on retention sum	**(3,964)**	-	**-**	-
- subsidiaries	**-**	-	**(3,780)**	(21,045)
- others	**(2,925)**	(2,009)	**-**	-

31. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other staff related expenses	**413,442**	394,382	**9,669**	9,991
Pension costs – defined contribution plans	**36,163**	35,648	**1,165**	1,205
	449,605	430,030	**10,834**	11,196

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM30,182,000 (2017: RM31,643,000) and RM10,477,000 (2017: RM10,822,000) respectively as further disclosed in Note 32.

32. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors' remuneration:				
Fees				
- Directors of the Company	**179**	187	**-**	-
Other emoluments				
- Directors of the Company	**7,793**	8,660	**6,672**	7,349
- Directors of subsdiaries	**22,210**	22,796	**3,805**	3,473
	30,182	31,643	**10,477**	10,822
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	**950**	933	**780**	763
- Directors of subsdiaries	**1,260**	1,193	**-**	-
Other emoluments				
- Directors of subsdiaries	**678**	588	**-**	-
	2,888	2,714	**780**	763
Total directors' remuneration	**33,070**	34,357	**11,257**	11,585
Other key management personnel compensation	**51,999**	49,389	**-**	-
	85,069	83,746	**11,257**	11,585

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 RM7,488,000 (2017: RM7,866,000) and RM1,165,000 (2017: RM1,205,000) respectively.

32. 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company	**120**	144	**120**	144
Directors of subsidiaries	**640**	498	**133**	137
Other key management personnel	**1,552**	1,339	**-**	-
	2,312	1,981	**253**	281

33. TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian income tax:				
- Current income tax	**219,583**	203,309	**1,190**	5,071
- (Over)/under provision in prior year	**(10,546)**	3,465	**130**	(11)
	209,037	206,774	**1,320**	5,060
Foreign income tax:				
- Current income tax	**10,548**	8,424	**-**	-
- Over provision in prior year	**(364)**	(230)	**-**	-
	10,184	8,194	**-**	-
Total income tax	**219,221**	214,968	**1,320**	5,060
Deferred tax (Note 24):				
- Relating to origination and reversal of temporary differences	**(31,568)**	(4,254)	**-**	(6)
- Under/(over) provision in prior year	**4,034**	(1,761)	**-**	-
- Change in Real Property Gains Tax rate	**15,629**	-	**-**	-
Total deferred tax	**(11,905)**	(6,015)	**-**	(6)
Total tax expense	**207,316**	208,953	**1,320**	5,054

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

33. 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit before tax	**1,394,178**	1,375,897	**1,720,425**	956,537
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	**334,603**	330,215	**412,902**	229,569
Effect of different tax rates in other countries	**(1,876)**	(1,095)	**-**	-
Effect of change in Real Property Gains Tax rate	**15,629**	-	**-**	-
Effect of gains taxed at Real Property Gains Tax rate	**(288)**	(26,430)	**-**	-
Income not subject to tax	**(198,966)**	(150,632)	**(429,601)**	(244,093)
Expenses not deductible for tax purposes	**52,166**	64,852	**17,889**	19,589
Effect of share of results of associates	**(5,708)**	(6,701)	**-**	-
Effect of share of results of joint ventures	**276**	101	**-**	-
Deferred tax assets not recognised/ (utilisation of previously unrecognised deferred tax assets)	**18,356**	(2,831)	**-**	-
(Over)/under provision in prior year				
- income tax	**(10,910)**	3,235	**130**	(11)
- deferred tax	**4,034**	(1,761)	**-**	-
Tax expense for the year	**207,316**	208,953	**1,320**	5,054

34. 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	
	2018	**2017**
Profit attributable to owners of the Company (RM'000)	**1,145,608**	1,098,923
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**2,489,676**	2,489,680
Effect of shares buyback during the year	**(2)**	(1)
Weighted average number of ordinary shares at 31 December	**2,489,674**	2,489,679
Basic earnings per share (sen)	**46.01**	44.14

35. DIVIDENDS

	Group/Company	
	2018 RM'000	**2017 RM'000**
Recognised during the year:		
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
Dividends paid in respect of financial year ended 31 December 2018:		
- first interim (15.0 sen per share under single tier system)	**373,451**	-
- second interim (20.0 sen per share under single tier system)	**497,934**	-
	871,385	871,387

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2018.

No dividend is payable for treasury shares held or cancelled.

36. CAPITAL COMMITMENTS

	Group 2018 RM'000	Group 2017 RM'000
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	**36,504**	49,594
- Investment properties	**286,621**	939
	323,125	50,533

37. 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 2018 RM'000	Group 2017 RM'000
Within one year	**51,388**	54,342
After one year but not more than five years	**62,742**	77,919
After five years	**18,296**	27,253
	132,426	159,514

37. 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	
	2018 RM'000	**2017 RM'000**
Within one year	**25,926**	25,895
After one year but not more than five years	**49,754**	42,261
After five years	**57,754**	63,017
	133,434	131,173

(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:

	2018		2017	
	Minimum payments RM'000	**Present value of payments RM'000**	**Minimum payments RM'000**	**Present value of payments RM'000**
Group				
Within one year	**1,284**	**1,227**	1,310	1,253
After one year but not more than five years	**1,052**	**991**	1,283	1,259
Total minimum lease payments	**2,336**	**2,218**	2,593	2,512
Less: amounts representing finance charges	**(118)**	**-**	(81)	-
Present value of minimum lease payments	**2,218**	**2,218**	2,512	2,512
Carrying amount of plant and equipment under finance leases		**4,379**		4,654

38. SEGMENT INFORMATION

Segment information has been changed by combining the general trading business (previously included in the Building Materials segment) with the Fertilizers Trading segment and is now reported as Trading segment. This is to reflect the changes in the basis of internal reports which are regularly reviewed by the management of the Group in order to allocate resources to the segment and assess its performance. Accordingly, the comparatives for segment information have been restated to conform with the current year presentation.

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

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

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

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

38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2018									
Revenue									
External revenue	390,756	1,155,565	231,400	1,420,230	2,132,959	915,609	-	-	6,246,519
Inter-segment revenue	-	15,512	60,412	5,101	95,684	63,424	-	(240,133)	-
Total revenue	390,756	1,171,077	291,812	1,425,331	2,228,643	979,033	-	(240,133)	6,246,519
Results									
Operating profit	37,151	648,921	246,936	18,963	53,585	(135,474)	(2,980)	(38,141)	828,961
Finance costs									(186,071)
Other gain items									750,420
Other loss items									(24,134)
Share of results of associates									26,626
Share of results of joint ventures									(1,624)
Profit before tax									1,394,178
Tax expense									(207,316)
Profit for the year									1,186,862
Non-controlling interests									(41,254)
Profit attributable to owners of the Company									1,145,608

38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2018 (continued)								
Assets and liabilities								
Segment assets	2,084,732	5,234,840	2,795,266	884,664	1,017,887	1,802,335	1,221,148	15,040,872
Investment in associates								440,587
Investment in joint ventures								7,522
Deferred tax assets								35,469
Tax recoverable								51,354
Total assets								15,575,804
Segment liabilities	21,022	1,394,281	1,829,101	223,100	833,261	742,445	1,686,971	6,730,181
Deferred tax liabilities								483,955
Tax payable								64,925
Total liabilities								7,279,061
Other information								
Additions to non-current assets	76,882	727,540	17,281	18,668	316	40,132	3,901	884,720
Depreciation and amortisation	77,473	8,413	5,023	9,883	1,222	84,126	1,285	187,425
Impairment losses	-	-	-	-	-	42,033	24,134	66,167
Reversal of impairment losses	-	-	-	-	-	(10,404)	-	(10,404)

38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2017									
Revenue									
External revenue	555,072	928,200	158,052	1,149,666	1,547,970	955,033	-	-	5,293,993
Inter-segment revenue	-	15,461	40,673	3,746	87,674	68,991	12,742	(229,287)	-
Total revenue	555,072	943,661	198,725	1,153,412	1,635,644	1,024,024	12,742	(229,287)	5,293,993
Results									
Operating profit	146,931	534,794	166,128	27,310	43,692	157,387	(4,298)	(116,254)	955,690
Finance costs									(146,339)
Other gain items									588,000
Other loss items									(55,448)
Share of results of associates									34,591
Share of results of joint ventures									(597)
Profit before tax									1,375,897
Tax expense									(208,953)
Profit for the year									1,166,944
Non-controlling interests									(68,021)
Profit attributable to owners of the Company									1,098,923

38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2017 (continued)								
Assets and liabilities								
Segment assets	2,141,590	4,520,408	2,543,295	736,167	716,191	1,926,704	89,371	12,673,726
Investment in associates								447,950
Investment in joint ventures								9,433
Deferred tax assets								15,247
Tax recoverable								22,966
Total assets								13,169,322
Segment liabilities	25,653	1,305,807	1,462,970	125,858	613,772	853,336	1,138,079	5,525,475
Deferred tax liabilities								475,266
Tax payable								61,380
Total liabilities								6,062,121
Other information								
Additions to non-current assets	87,583	266,802	4,155	18,424	1,736	53,583	5,914	438,197
Depreciation and amortisation	76,280	5,418	1,251	8,158	1,095	92,165	2,174	186,541
Impairment losses	-	-	-	-	-	83,283	7,035	90,318

38. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
1.1.2017								
Assets and liabilities								
Segment assets	2,145,702	4,019,371	1,786,895	934,815	589,378	2,146,115	530,271	12,152,547
Investment in associates								496,675
Investment in joint ventures								844
Deferred tax assets								21,809
Tax recoverable								19,471
Total assets								12,691,346
Segment liabilities	25,451	1,158,303	1,612,003	70,612	255,234	971,014	1,232,424	5,325,041
Deferred tax liabilities								488,381
Tax payable								49,219
Total liabilities								5,862,641

38. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	**195,604**	179,606
Prepaid lease payments	**-**	1,412
Investment properties	**104,198**	82,794
Land held for property development	**584,918**	174,385
	884,720	438,197

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		
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	1.1.2017 RM'000
Malaysia	**4,968,077**	4,251,342	**5,602,289**	5,227,973	5,369,688
Other Asian countries	**1,195,429**	981,762	**459,643**	475,303	501,763
Others	**83,013**	60,889	**10**	78	-
	6,246,519	5,293,993	**6,061,942**	5,703,354	5,871,451

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

	2018 RM'000	2017 RM'000	1.1.2017 RM'000
Property, plant and equipment	**3,157,916**	3,158,650	3,197,239
Prepaid lease payments	**180,323**	189,638	201,367
Investment properties	**1,600,502**	1,538,870	1,675,054
Land held for property development	**1,070,354**	779,460	712,642
Intangible assets	**52,847**	36,736	85,149
	6,061,942	5,703,354	5,871,451

39. MATERIAL LITIGATIONS

(a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], a wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"], is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser ["Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ["Alleged PA"]. On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB commenced a legal suit ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

RESB is claiming for the following in the KK RESB Suit:

(i) That RESB be declared as the registered and beneficial owner of the said Land;
(ii) That the Purported SPA be declared null and void;
(iii) That the Alleged PA be declared null and void;
(iv) An injunction restraining the 1st Defendant from:-
    (a) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
    (b) taking any actions to fulfill the terms and conditions in the Purported SPA; and
    (c) taking any further action to complete the Purported SPA.
(v) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
(vi) Costs of the KK RESB Suit; and
(vii) Such further or other relief as the Court deems fit and just.

Pending disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above ["KK Interlocutory Injunction"].

39. MATERIAL LITIGATIONS (CONTINUED)

(a) (continued)

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit (see Note 39(b) below) upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019.

HSP has been advised by Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK RESB Suit.

(b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in the KKHC vide originating summon no. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "KK Suit"].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 ["Alleged Deed of Substitute"] allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

(i) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
(ii) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
(iii) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
(iv) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC's rights thereon;
(v) costs of the KK Suit; and
(vi) such further or other relief as the Court deems fit and just.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"].

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

39. MATERIAL LITIGATIONS (CONTINUED)

(c) Pelipikan Plantation Sdn Bhd ["PPSB"], a 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.

The said Plaintiffs failed to proceed with the Second Suit during the court trial held on 3 December 2018. Accordingly, the KKHC dismissed the Second Suit with no liberty to file afresh and with no order as to costs. The said Plaintiffs did not appeal against the said KKHC decision.

40. FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

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

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

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

(b) Fair value hierarchy

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

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

Fair value measurement hierarchy for assets/(liabilities):

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2018				
Assets measured at fair value				
Investment properties (Note 6)	**1,600,502**	**-**	**-**	**1,600,502**
Equity investments (Note 14)	**19,294**	**1,282**	**-**	**18,012**
Money market deposits (Note 18)	**1,026,716**	**-**	**1,026,716**	**-**
Derivative financial assets (Note 14)				
Forward currency contracts	**345**	**-**	**345**	**-**
Cross currency interest rate swaps	**15,102**	**-**	**15,102**	**-**
Derivative financial liabilities (Note 14)				
Forward currency contracts	**(3,294)**	**-**	**(3,294)**	**-**
Cross currency interest rate swaps	**(3,672)**	**-**	**(3,672)**	**-**

40. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

Fair value measurement hierarchy for assets/(liabilities): (continued)

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2017				
Assets measured at fair value				
Investment properties (Note 6)	1,538,870	-	-	1,538,870
Equity investments (Note 14)	26,017	1,779	-	24,238
Money market deposits (Note 18)	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)	-

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.

41. 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets				
Amount due from subsidiaries	**-**	-	**-**	95,318
Lease receivables	**1,357**	3,576	**-**	-
Hire purchase receivables	**1,240,767**	1,024,733	**-**	-
Deposits with licensed banks	**250,670**	293,844	**169,300**	184,160
	1,492,794	1,322,153	**169,300**	279,478
Financial liabilities				
Sundry payables	**(38,904)**	(72,529)	**-**	-
Amount due to a subsidiary	**-**	-	**(307,000)**	(527,380)
Term loans	**(429,162)**	(228,083)	**-**	-
Finance leases	**(2,218)**	(2,512)	**-**	-
	(470,284)	(303,124)	**(307,000)**	(527,380)
	1,022,510	1,019,029	**(137,700)**	(247,902)
Floating rate instruments				
Financial assets				
Loan receivables	**1,533,760**	1,371,977	**-**	-
Financial liabilities				
Term loans	**(1,878,002)**	(2,218,597)	**-**	-
Revolving credits	**(1,719,481)**	(1,731,332)	**-**	-
Commercial papers	**(10,000)**	-	**-**	-
Medium term notes	**(1,090,000)**	-	**-**	-
Trust receipts	**(77,126)**	(72,938)	**-**	-
Bankers' acceptances	**(222,994)**	(225,413)	**-**	-
	(4,997,603)	(4,248,280)	**-**	-
	(3,463,843)	(2,876,303)	**-**	-

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2018 for the Group and the Company were 1.78% (2017: 1.43%) and 1.20% (2017: 0.44%) respectively and will mature within 3 months (2017: 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**
2018		
Floating rate instruments	**(19,444)**	**19,444**
2017		
Floating rate instruments	(10,483)	10,483

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currencies. The Group is also exposed to currency risk in respect of its foreign investments in subsidiaries, associates and joint ventures. The Group uses forward currency contracts and cross currency interest rate swaps to limit its exposure on foreign currency receivables, payables and borrowings, and on cash flows generated from anticipated transactions denominated in foreign currencies.

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

	Net unhedged financial assets/(liabilities) held in non-functional currencies					
	USD RM'000	SGD RM'000	VND RM'000	Euro RM'000	RMB RM'000	Total RM'000
Group						
Functional currency of Group entities						
2018						
RM	**710,574**	**178,673**	**-**	**(285)**	**12,141**	**901,103**
Indonesian Rupiah ["IDR"]	**(65)**	**-**	**-**	**11**	**-**	**(54)**
SGD	**(1,498)**	**-**	**3,118**	**(29,793)**	**-**	**(28,173)**
RMB	**6,618**	**-**	**-**	**-**	**-**	**6,618**
	715,629	**178,673**	**3,118**	**(30,067)**	**12,141**	**879,494**
2017						
RM	27,699	194,992	-	(5,565)	(9,362)	207,764
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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Company that are not denominated in the functional currency of the Company are as follows:

	Net unhedged financial assets held in non-functional currencies			
	USD RM'000	SGD RM'000	AUD RM'000	Total RM'000
Company				
Functional currency of the Company				
2018				
RM	**819,425**	**169,063**	**-**	**988,488**
2017				
RM	-	184,160	95,318	279,478

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
USD	**27,186**	(625)	**31,138**	-
SGD	**6,790**	7,410	**6,424**	6,998
VND	**129**	77	**-**	-
Euro	**(1,247)**	(1,353)	**-**	-
AUD	**-**	-	**-**	3,622
RMB	**504**	(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.

41. 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						
2018						
Designated as fair value through profit or loss						
Receivables hedge	**USD**	**10,946**	**-**	**10,946**	**131**	**-**
Payables hedge	**USD**	**117,920**	**-**	**117,920**	**-**	**(1,440)**
Borrowings hedge	**USD/Euro**	**18,179**	**-**	**18,179**	**-**	**(106)**
Firm commitment hedge	**USD**	**141,470**	**-**	**141,470**	**-**	**(1,424)**
		288,515	**-**	**288,515**	**131**	**(2,970)**
Designated as cash flow hedges						
Borrowings hedge	**USD**	**241,912**	**702,118**	**944,030**	**15,316**	**(3,996)**
		530,427	**702,118**	**1,232,545**	**15,447**	**(6,966)**

41. 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)						
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)

41. 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							
2018							
Non-derivative financial liabilities							
Borrowings							
Term loans	**2,307,164**	**1.58 - 5.40**	**2,531,963**	**677,273**	**925,244**	**656,279**	**273,167**
Finance lease	**2,218**	**1.30 - 5.20**	**2,336**	**1,284**	**1,044**	**8**	**-**
Revolving credits	**1,719,481**	**2.71 - 8.85**	**1,733,804**	**1,733,804**	**-**	**-**	**-**
Bankers' acceptances	**222,994**	**3.90 - 4.60**	**222,994**	**222,994**	**-**	**-**	**-**
Trust receipts	**77,126**	**1.45 - 2.72**	**78,855**	**78,855**	**-**	**-**	**-**
Medium term notes	**1,090,000**	**4.59 - 4.69**	**1,275,639**	**49,990**	**372,539**	**853,110**	**-**
Commercial papers	**10,000**	**4.31**	**10,039**	**10,039**	**-**	**-**	**-**
Trade and other payables	**1,249,308**	**-**	**1,249,308**	**1,103,608**	**35,999**	**1,774**	**107,927**
Amount due to an other related party	**38,904**	**4.00**	**40,460**	**40,460**	**-**	**-**	**-**
	6,717,195		**7,145,398**	**3,918,307**	**1,334,826**	**1,511,171**	**381,094**
Designated as hedging instruments							
Cash flow hedges	**3,996**	**-**	**3,996**	**970**	**-**	**3,026**	**-**
Not designated as hedging instruments							
Forward currency contracts	**2,970**	**-**	**2,970**	**2,970**	**-**	**-**	**-**
	6,966		**6,966**	**3,940**	**-**	**3,026**	**-**
	6,724,161		**7,152,364**	**3,922,247**	**1,334,826**	**1,514,197**	**381,094**

41. 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)							
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

41. 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				
2018				
Non-derivative financial liabilities				
Trade and other payables	**3,844**	**-**	**3,844**	**3,844**
Amount due to a subsidiary	**307,000**	**4.68**	**321,368**	**321,368**
	310,844		**325,212**	**325,212**
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

(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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

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 RM4,994,474,000 (2017: RM4,038,629,000) were provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition are insignificant.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted equity instruments and placement in money market deposits. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis

At the reporting date, if the instruments had been 2% higher/lower, with all other variables held constant, the Group's profit or loss would have increased/(decreased) by RM5,746,000 (2017: RM1,297,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit or loss.

42. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal gearing ratio that complies with the requirements of debt covenants.

There were no changes in the Group's approach to capital management during the year. The debt-to-equity ratios as at the end of the reporting period were as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Borrowings (Note 23)	**5,428,983**	4,478,875
Money market deposits (Note 18)	**(1,026,716)**	(90,990)
Cash and bank balances (Note 19)	**(613,632)**	(648,257)
Net borrowings	**3,788,635**	3,739,628
Total equity excluding intangible assets	**8,243,896**	7,070,465
Net debt-to-equity ratio (times)	**0.46**	0.53

43. 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	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company:					
Dato' Jorgen Bornhoft	Sale of motor vehicle	**-**	457	**-**	-
Datuk Edward Lee Ming Foo, JP	Rental expenses	**(106)**	(106)	**-**	-
Datuk Simon Shim Kong Yip, JP	Sale of property under development	**245**	80	**-**	-
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	**59**	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	**(4,730)**	(5,492)	**-**	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim Pang & Co	Legal fees	**(1,225)**	(335)	**(215)**	-
	Servicing of motor vehicles	**16**	2	**-**	-

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	**(3,950)**	(3,585)	**(3,950)**	(3,585)
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	**(400)**	(200)	**(400)**	(200)
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	**25,399**	24,710	**-**	-

^ *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.

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 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	**780,793**	750,000	**-**	750,000
	Disposal of 20% equity interest in a subsidiary	**906,000**	-	**906,000**	-
	Sale of products	**48,770**	30,909	**-**	-
	Management fees	**512**	1,776	**-**	-
	Sale of used motor vehicles	**4,523**	1,202	**-**	-
	Administration fees	**129**	123	**-**	-
	Rental income	**1,618**	3,915	**-**	-
	Utilities and maintenance charges	**7**	6	**-**	-
	Purchase of products	**(10,862)**	(17,079)	**(2)**	(12)
	Rental expenses	**(17,522)**	(9,161)	**-**	-
	Administrative charges	**(134)**	(218)	**-**	-
	Interest expense	**(3,471)**	(5,549)	**-**	-
	Disposal of lands	**114,354**	266,276	**-**	-
	Disposal of land and building	**-**	97,500	**-**	-
	Utility charges	**(38)**	(42)	**-**	-
	Commission charges	**-**	42	**-**	-
	Transportation charges	**(62)**	(22,729)	**-**	-
	Project management, marketing and construction services	**64,177**	-	**-**	-
	Quarry tribute	**(1,079)**	-	**-**	-

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	**(37)**	(289)	**-**	-
Company in which Eugene Lee Chin Jin, a director of a subsidiary, has interest:					
Noble One Rhythm Sdn Bhd	Construction of property sales gallery	**(281)**	(760)	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Rental income	**179**	179	**-**	-
	Sale of products	**440**	156	**-**	-
	Insurance premium *	**(13,964)**	(16,250)	**(115)**	(48)
	Utilities and maintenance charges	**12**	11	**-**	-
	Handling charges	**(1,150)**	(891)	**-**	-
	Handling fees	**1,425**	1,384	**-**	-

* *This relates to insurance premiums paid/payable via a related company acting as an insurance agent.*

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Associates	Rental income	**-**	7	**-**	7
	Sale of products	**326**	370	**-**	-
	Interest income	**135**	140	**-**	-
	Dividend income	**-**	-	**3,770**	62,482
Joint ventures	Sale of products	**1,545**	1,564	**-**	-
	Rental income	**1,400**	2,101	**-**	-
	Receiving of services	**(3,888)**	(4,285)	**-**	-
Subsidiaries	Servicing of motor vehicles	**-**	-	**(162)**	(84)
	Rental expenses	**-**	-	**(23)**	(18)
	Management fees	**-**	-	**(171)**	(232)
	Car usage	**-**	-	**(1,039)**	(1,032)
	Purchase of products	**-**	-	**(779)**	(7)
	Interest expense	**-**	-	**(8,766)**	(855)
	Interest income	**-**	-	**3,780**	21,045
	Dividend income	**-**	-	**920,138**	363,144

Compensation to key management personnel is as disclosed in Note 32.

43. RELATED PARTIES (CONTINUED)

(b) Balances with related parties

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from/(to)				
Corporated International Consultants	**(404)**	(476)	**-**	-
Shim Pang & Co	**(7)**	(20)	**-**	-
Samling Strategic Corporation Sdn Bhd Group	**11,316**	6,842	**-**	-
Lei Shing Hong Limited Group	**20,902**	(3,991)	**-**	-
Imaspro Resources Sdn Bhd	**-**	(45)	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	**774**	272	**-**	-
Directors of the Company	**242**	(5)	**-**	-
Associates	**-**	6	**-**	-
Joint ventures	**(133)**	689	**-**	-
Subsidiaries	**-**	-	**(779)**	(589)

The above balances arose from recurrent related party transactions of revenue or trading nature.

44. SIGNIFICANT EVENTS DURING THE YEAR

(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 55.0% 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 @ Freddy Lim ["Datuk Freddy"] for the purchase of 779,336,900 KHB Shares, representing approximately 33.5% 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 ["Santraprise"] for the purchase of 500,857,600 KHB Shares, representing approximately 21.5% 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").

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(a) (continued)

Upon completion of the Proposed Acquisition, HSP's shareholding in KHB would increase from nil to approximately 55.0%. 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 ["Remaining Shares"] 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 was subject to amongst others, the following conditions:

(i) approval of the shareholders of HSP at an extraordinary general meeting to be convened; and

(ii) the due diligence findings of KHB and its subsidiaries being satisfactory and acceptable to HSP.

On 14 June 2018, HSP notified Datuk Freddy and Santraprise in writing pursuant to Clause 8.2 of the SSAs that HSP had found the results of the due diligence of KHB and its subsidiaries to be unsatisfactory and unacceptable.

Accordingly, HSP had exercised its rights pursuant to Clause 8.4 to terminate the SSAs with immediate effect, with which HSP would not extend the Proposed MGO for all the Remaining Shares.

(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 RM1.00. Positive Tropical is a private limited company incorporated in Malaysia and is principally involved in construction activities.

(c) On 2 March 2018 ["said date"], *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 60,495,001 ordinary shares representing 100% of the issued share capital of HSC Sydney Holding Limited ["HSH"] ["HSH SSA"] for a cash consideration of USD196.50 million (translated to RM771.16 million based on the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 1 March 2018 rate of USD1.00:RM3.9245) ["HSH Sale Consideration" and "Proposed HSH Disposal"].

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(c) (continued)

On the said date, the Company also entered into a conditional shares sale agreement with LSHCL, pursuant to which the Company had agreed to dispose 266,000,000 ordinary shares representing 20% of the issued share capital of *Hap Seng Credit Sdn Bhd ["HSCSB"] ["HSCSB SSA"] for a cash consideration of RM906 million ["HSCSB Sale Consideration" and "Proposed HSCSB Disposal"].

[The Proposed HSH Disposal and the Proposed HSCSB Disposal are collectively referred to as the "said Proposed Disposals"].

The said Proposed Disposals were deemed related party transactions as at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and director of Gek Poh.

As at the said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of 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 said Proposed Disposals.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the said Proposed Disposals.

As at the said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and LSH, he was deemed interested in the said Proposed Disposals.

As at the said date, Mr Ch'ng Kok Phan, an executive director of LSH, was also the non-independent non-executive director of the Company and as such, Mr Ch'ng Kok Phan had abstained from all deliberations and voting at the relevant Board meetings in respect of the said Proposed Disposals prior to his resignation as a director of the Company on 31 March 2018.

The interested or deemed interested directors and shareholders had abstained from voting and that they had ensured that persons connected to them have abstained from voting in respect of their direct and/or indirect shareholdings on the resolutions in relation to the said Proposed Disposals during the extraordinary general meeting of the Company held on 30 May 2018 ["EGM"], during which shareholders' approval of the Company was obtained in respect of the said Proposed Disposals.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(c) (continued)

On 21 May 2018, HSCI received the balance sum of USD176.85 million representing 90% of the HSH Sale Consideration from LSHCL for the Proposed HSH Disposal in accordance with the HSH SSA. Accordingly, the HSH Sale Consideration for the Proposed HSH Disposal has been paid in full.

On 25 May 2018, the Company received the balance sum of RM815.40 million representing 90% of the HSCSB Sale Consideration from LSHCL for the Proposed HSCSB Disposal in accordance with the HSCSB SSA. Accordingly, the HSCSB Sale Consideration for the Proposed HSCSB Disposal has been paid in full.

With the payment of HSH Sale Consideration and HSCSB Sale Consideration in full, the said Proposed Disposals were completed on 8 June 2018. The Proposed HSH Disposal resulted in a gain of approximately RM516.02 million to the Group whilst the Proposed HSCSB Disposal gave rise to an increase in the retained profits of the Group by approximately RM594.51 million.

(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 GBP1.00 comprising 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 GBP1.00 comprising 1 ordinary share and is currently dormant.

(f) On 25 April 2018, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Positive Harmony Sdn Bhd [“Positive Harmony”] comprising 1 ordinary share at a cash consideration of RM1.00. Positive Harmony is a private limited company incorporated in Malaysia and is principally involved in construction activities.

(g) On 25 April 2018, *Hap Seng Trucks Distribution Sdn Bhd (*formerly known as Sungreen Synergy Sdn Bhd*) [“HSTD”] entered into a business transfer agreement [“BTA”] with Mercedes-Benz Malaysia Sdn Bhd [“MBM”] pursuant to which MBM had agreed to sell to HSTD, the commercial vehicle wholesale distribution business comprising the import of complete build-up [“CBU”] units and complete knocked-down [“CKD”] components, assembly management, wholesale distribution and the supply of after-sales service for “Mercedes-Benz” and “Fuso” or “Mitsubishi Fuso” branded trucks, vans and related OEM spare parts in Malaysia, the supply of after-sales service for Mercedes-Benz branded buses and the operations and activities of Mercedes-Benz Malaysia Commercial Vehicle Training Centre [“Business”], on the terms and subject to the conditions as set out in the BTA.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(g) (continued)

The BTA is conditional upon fulfilment of the following conditions precedent ["Conditions"] within nine (9) months (or such other extended period as mutually agreed) from the date of the BTA ["Conditional Period"]:

(i) HSTD having obtained the import licence to import CKD components issued by the Ministry of International Trade and Industry required for carrying on the Business;

(ii) novation or execution of fresh contracts by HSTD in respect of the following purchased contracts:

(a) contract between MBM and Nusa Automobil Corporation Sdn Bhd or any another importer for CBUs (including V-Class), as mutually agreed between the parties; and

(b) manufacturing contract between MBM and Hicom Automotive Manufacturers (Malaysia) Sdn Bhd, failing which, between MBM with another contract manufacturer, as mutually agreed between the parties.

The BTA was completed on 31 October 2018 in accordance with the terms contained therein.

(h) On 20 June 2018 ["said date"], *Hap Seng Properties Development Sdn Bhd ["HSPD"], was 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 ["Master Title CL 105420666"] entered into a sale and purchase agreement to dispose Parcel 1 and Parcel 2 both forming part of Lot 5 held under the Master Title CL 105420666 measuring approximately 20.04 acres and 39.20 acres respectively to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd ["Akal Megah"] which in turn was wholly-owned by Lei Shing Hong Limited ["LSH"], for a total cash consideration of RM90,128,000 ["Proposed HSPD Disposal 1"].

The Proposed HSPD Disposal 1 was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and director of Gek Poh.

As at said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"] which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed HSPD Disposal 1.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(h) (continued)

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HSPD Disposal 1.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH and a director of Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company, LSH and Akal Megah, he was interested in the Proposed HSPD Disposal 1.

As at said date, Mr Ch'ng Kok Phan was an executive director of LSH. Notwithstanding Mr Ch'ng Kok Phan having resigned as a non-independent non-executive director of the Company on 31 March 2018, he was deemed interested in the Proposed HSPD Disposal 1 as the resignation took place within the six-month period preceding the said date.

The Proposed HSPD Disposal 1 was completed on 26 June 2018 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM60.84 million to the Group.

(i) As part of the Group's re-organisation, *Hap Seng Land Development Sdn Bhd had on 17 August 2018 transferred 1 ordinary share representing the entire issued share capital of *Sunhill Ventures Sdn Bhd ["Sunhill Ventures"] to *Hap Seng Realty Sdn Bhd for a cash consideration of RM1.00. Sunhill Ventures is a private limited company incorporated in Malaysia and to undertake investment in hotel development and operation.

(j) On 8 October 2018, Hafary Pte Ltd ("HPL"), a wholly-owned subsidiary of Hafary Holdings Limited ("Hafary"), which is a 50.82% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd, incorporated a wholly-owned subsidiary, Hafary W+S Pte Ltd ("Hafary W+S") in Singapore with an issued and paid-up share capital of SGD100.00 comprising 100 ordinary shares. Hafary W+S is principally involved in general warehousing – storage and warehousing of furniture and related products.

(k) On 10 October 2018, HPL became a 33.33% shareholder of Hafary Myanmar Investment Pte Ltd ("Hafary Myanmar"), a joint venture company incorporated in Singapore with an issued and paid-up capital of USD10,000.00 comprising 10,000 ordinary shares. Hafary Myanmar is an investment holding company to facilitate the proposed expansion by the Hafary Group into the Myanmar market.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(l) On 3 December 2018 ["said date"], *Hap Seng Properties Development Sdn Bhd ["HSPD"] was the registered owner of all those two (2) contiguous parcels of vacant leasehold land held under CL 105173475 and CL 105245887 measuring approximately 6.21 acres and 9.68 acres respectively both situated at Mile 10, Apas Road, District of Tawau, State of Sabah ["CL 105173475 and CL 105245887"] entered into sale and purchase agreements to dispose CL 105173475 and CL 105245887 to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd ["Akal Megah"] which in turn was wholly-owned by Lei Shing Hong Limited ["LSH"], for a total cash consideration of RM90,128,000 ["Proposed HSPD Disposal 2"].

The Proposed HSPD Disposal 2 was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and director of Gek Poh.

As at said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"] which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed HSPD Disposal 2.

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HSPD Disposal 2.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH and a director of Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company, LSH and Akal Megah, he was interested in the Proposed HSPD Disposal 2.

The Proposed HSPD Disposal 2 was completed on 26 December 2018 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM18.14 million to the Group.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(m) On 20 January 2016, *Hap Seng Land Development Sdn Bhd ["HSLD"] acquired the entire issued and paid-up share capital of KL Midtown Sdn Bhd *(formerly known as Golden Suncity Sdn Bhd)* ["KLM"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 29 January 2016, HSLD entered into a shareholders' agreement ["SHA"] with TTDI KL Metropolis Sdn Bhd ["TTDI KL"], a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and KLM to regulate their relationship inter-se as shareholders of KLM based on a shareholding proportion of 70:30.

Simultaneous with the execution of the SHA, KLM had entered into a development rights agreement ["DRA"] with TTDI KL, pursuant to which TTDI KL as the registered and beneficial proprietor of all that parcel of a leasehold land held under PN52352, Lot 80928, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring 8.95 acres (approximately 389,862 square feet) ["Land"] has agreed to grant to KLM, the exclusive rights to develop the Land at the consideration of RM467,834,400. KLM had paid TTDI KL the sum equivalent to ten percent (10%) of the consideration sum amounting to RM46,783,440 as deposit payment upon signing of the DRA.

The conditions precedent as stated in the DRA had been fulfilled on 28 December 2018, with which the DRA had become unconditional.

* *These are the Company's wholly-owned subsidiaries.*

45. SUBSEQUENT EVENTS

(a) On 30 January 2019, *Malaysian Mosaics Sdn Bhd acquired the entire issued share capital of MMSB2 Factory Sdn Bhd (*formerly known as Empire Addition Sdn Bhd*) ["MMSB2"] comprising 1 ordinary share at a cash consideration of RM1.00. MMSB2 is a private limited company incorporated in Malaysia and is principally involved in the manufacturing and sale of porcelain and ceramic tiles.

(b) On 7 February 2019, *HSC Melbourne Pty Ltd ["HMPL"], a wholly-owned subsidiary of HSC Manchester Holding Limited had been successfully deregistered from Australian Securities & Investments Commission (ASIC). HMPL was incorporated in Australia on 28 August 2017 as a private limited company. Prior to the deregistration, HMPL had an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and was dormant.

(c) On 7 February 2019, *HSC Brisbane Pty Ltd ["HBPL"], a wholly-owned subsidiary of HSC Birmingham Holding Limited had been successfully deregistered from Australian Securities & Investments Commission (ASIC). HBPL was incorporated in Australia on 28 August 2017 as a private limited company. Prior to the deregistration, HBPL had an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and was dormant.

(d) As part of the Group's re-organisation, *Sunrise Addition Sdn Bhd had on 15 March 2019 transferred 20,000 ordinary shares representing the entire issued share capital of *Hap Seng Trucks Sdn Bhd (*formerly known as Super8 Capital Sdn Bhd*) ["Hap Seng Trucks"] to *Hap Seng Auto Sdn Bhd for a cash consideration of RM14,618. Hap Seng Trucks is a private limited company incorporated in Malaysia and is principally involved in the dealing in commercial vehicles, spare parts and servicing of commercial vehicles.

* *These are the Company's wholly-owned subsidiaries.*

46. EFFECTS ON ADOPTION OF MFRS

The impact to the financial statements of the Group arising from the application of MFRS 1, MFRS 9 and MFRS 15 are tabulated below.

Effects on Statements of Financial Position

	As at 1.1.2017					
	FRS RM'000	Note 2.2 (a)(i) RM'000	Note 2.2 (a)(ii) RM'000	Note 2.2 (b) RM'000	Note 2.2 (c) RM'000	MFRS RM'000
Group						
Non-current assets						
Property, plant and equipment	1,798,774	1,161,883	236,582	-	-	3,197,239
Biological assets	458,585	-	(458,585)	-	-	-
Investment in associates	500,934	-	(4,259)	-	-	496,675
Land held for property development	720,173	-	(7,531)	-	-	712,642
Current assets						
Property development costs	682,386	-	-	-	7,392	689,778
Biological assets	-	-	37,667	-	-	37,667
Trade and other receivables	2,030,093	-	-	(9,750)	(84,840)	1,935,503
Contract assets	-	-	-	-	87,326	87,326
Non-current liabilities						
Deferred tax liabilities	230,590	277,580	(19,754)	-	(35)	488,381
Current liabilities						
Tax payable	47,375	-	-	-	1,844	49,219
Equity attributable to owners of the Company						
Share capital	2,489,682	-	-	-	-	2,489,682
Reserves	3,001,010	469,034	(87,249)	(9,750)	6,489	3,379,534
	5,490,692	469,034	(87,249)	(9,750)	6,489	5,869,216
Less: Treasury shares	(16)	-	-	-	-	(16)
	5,490,676	469,034	(87,249)	(9,750)	6,489	5,869,200
Non-controlling interests	631,779	415,269	(89,123)	-	1,580	959,505
Total equity	**6,122,455**	**884,303**	**(176,372)**	**(9,750)**	**8,069**	**6,828,705**

46. EFFECTS ON ADOPTION OF MFRS (CONTINUED)

Effects on Statements of Financial Position (continued)

	As at 31.12.2017					
	FRS RM'000	**Note 2.2 (a)(i) RM'000**	**Note 2.2 (a)(ii) RM'000**	**Note 2.2 (b) RM'000**	**Note 2.2 (c) RM'000**	**MFRS RM'000**
Group						
Non-current assets						
Property, plant and equipment	1,777,067	1,140,173	241,410	-	-	3,158,650
Biological assets	458,886	-	(458,886)	-	-	-
Investment in associates	452,231	-	(4,281)	-	-	447,950
Land held for property development	786,991	-	(7,531)	-	-	779,460
Current assets						
Property development costs	814,695	-	-	-	15,795	830,490
Biological assets	-	-	19,550	-	-	19,550
Trade and other receivables	2,405,495	-	-	(9,180)	(163,078)	2,233,237
Contract assets	-	-	-	-	172,422	172,422
Non-current liabilities						
Deferred tax liabilities	222,906	272,406	(21,395)	-	1,349	475,266
Current liabilities						
Tax payable	58,093	-	-	-	3,287	61,380
Equity attributable to owners of the Company						
Share capital	3,519,554	-	-	-	-	3,519,554
Reserves	2,244,816	460,264	(93,933)	(9,180)	16,394	2,618,361
	5,764,370	460,264	(93,933)	(9,180)	16,394	6,137,915
Less: Treasury shares	(54)	-	-	-	-	(54)
	5,764,316	460,264	(93,933)	(9,180)	16,394	6,137,861
Non-controlling interests	652,138	407,503	(94,410)	-	4,109	969,340
Total equity	6,416,454	867,767	(188,343)	(9,180)	20,503	7,107,201

46. EFFECTS ON ADOPTION OF MFRS (CONTINUED)

Effects on Statements of Profit or Loss

	Year ended 31.12.2017					
	FRS RM'000	Note 2.2 (a)(i) RM'000	Note 2.2 (a)(ii) RM'000	Note 2.2 (b) RM'000	Note 2.2 (c) RM'000	MFRS RM'000
Group						
Revenue	5,288,733	-	-	-	5,260	5,293,993
Cost of sales	(3,855,449)	(3,067)	4,527	-	(8,468)	(3,862,457)
Gross profit	1,433,284	(3,067)	4,527	-	(3,208)	1,431,536
Administrative expenses	(309,506)	-	-	570	18,469	(290,467)
Other operating expenses	(103,757)	(18,643)	(18,117)	-	-	(140,517)
Share of results of associates	34,613	-	(22)	-	-	34,591
Profit before tax	1,395,388	(21,710)	(13,612)	570	15,261	1,375,897
Tax expense	(212,941)	5,174	1,641	-	(2,827)	(208,953)
Profit for the year	1,182,447	(16,536)	(11,971)	570	12,434	1,166,944
Profit attributable to:						
Owners of the Company	1,103,902	(8,770)	(6,684)	570	9,905	1,098,923
Non-controlling interests	78,545	(7,766)	(5,287)	-	2,529	68,021
	1,182,447	(16,536)	(11,971)	570	12,434	1,166,944
Earnings per share (sen)						
Basic	44.34	(0.35)	(0.27)	0.02	0.40	44.14

46. EFFECTS ON ADOPTION OF MFRS (CONTINUED)

Effects on Statements of Cash Flows

	Year ended 31.12.2017					
	FRS RM'000	Note 2.2 (a)(i) RM'000	Note 2.2 (a)(ii) RM'000	Note 2.2 (b) RM'000	Note 2.2 (c) RM'000	MFRS RM'000
Group						
Cash flows from operating activities						
Profit before tax	1,395,388	(21,710)	(13,612)	570	15,261	1,375,897
Adjustments for:						
Depreciation of property, plant and equipment	134,745	21,710	21,010	-	-	177,465
Loss on fair value of biological assets	-	-	18,117	-	-	18,117
Property, plant and equipment written off	2,932	-	242	-	-	3,174
Biological assets written off	242	-	(242)	-	-	-
Net impairment loss on trade and other receivables	6,243	-	-	(570)	-	5,673
Share of results of associates	(34,613)	-	22	-	-	(34,591)
Change in working capital:						
Property development costs	(108,657)	-	-	-	(8,403)	(117,060)
Receivables	(628,180)	-	-	-	78,238	(549,942)
Contract assets	-	-	-	-	(85,096)	(85,096)
Cash flows from investing activities						
Purchase of property, plant and equipment	(152,849)	-	(26,080)	-	-	(178,929)
Additions to biological assets	(543)	-	543	-	-	-

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 8 June 2018, HSC International Limited, a wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HSC Sydney Holding Limited comprising 60,495,001 ordinary shares to Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited for a cash consideration of USD196.5 million which is equivalent to RM780.8 million ["HSH Disposal"].

The utilisation of proceeds from HSH Disposal during the financial year ended 31 December 2018 was as follows:

	Proposed utilisation		As at 31 December 2018			Deviation
	Per *Circular RM'000	**Adjusted RM'000	Utilisation RM'000	Balance Unutilised RM'000		Under/(over) spent RM'000
Repayment of borrowings	250,000	250,000	-	250,000	#	-
Working capital requirements:						
(i) Part finance the cost of property developments in Klang Valley						
(a) Jalan Kia Peng Service Apartment	100,000	100,000	14,822	85,178		-
(b) Menara Hap Seng 3	200,000	200,000	61,960	138,040		-
	300,000	300,000	76,782	223,218		-
(ii) Purchase of inventories						
(a) automobile	20,664	30,293	31,884	-		(1,591)
(b) fertilisers	30,000	30,000	30,000	-		-
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	30,000	-		-
	80,664	90,293	91,884	-		(1,591)
	380,664	390,293	168,666	223,218		(1,591)
Investments purposes	140,000	140,000	138,326	-		1,674 @
Payment of fees and expenses for HSH Disposal	500	500	583	-		(83) @
	771,164	**780,793**	**307,575**	**473,218**		**-**

* *Circular to Shareholders dated 16 May 2018.*

** *The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the foreign exchange rate at completion date. This resulted in additional proceeds of RM9.629 million which was allocated to the proposed utilisation for the working capital requirement under item (ii)(a).*

\# *The intended timeframe for utilisation is within 24 months from completion.*

@ *The net under spent of RM1.591 million has been utilised for working capital requirement under item (ii)(a).*

(b) On 8 June 2018, the Company completed the disposal of its 20% equity interest in Hap Seng Credit Sdn Bhd ["HSCSB"] comprising 266,000,000 ordinary shares to LSHCL for a cash consideration of RM906 million ["HSCSB Disposal"].

The utilisation of proceeds from HSCSB Disposal during the financial year ended 31 December 2018 was as follows:

	Proposed Utilisation RM'000	As at 31 December 2018 Utilisation RM'000	As at 31 December 2018 Balance Unutilised RM'000		Deviation Under/(over) spent RM'000
Working capital requirements:					
Loan disbursements of HSCSB to the following sectors					
(a) Real Estate	350,000	-	350,000	#	-
(b) Manufacturing	170,000	-	170,000	#	-
(c) Transportation	170,000	-	170,000	#	-
(d) Construction	120,000	-	120,000	#	-
(e) General commerce	95,500	-	95,417	#	-
	905,500	-	905,417		-
Payment of fees and expenses for HSCSB Disposal	500	583	-		(83)@
	906,000	**583**	**905,417**		**(83)**

\# *The intended timeframe for utilisation is within 24 months from completion.*

@ *The over spent of RM83,000 was set-off against the balance unutilised for working capital requirement under item (e).*

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 2018 was RM856,000 as disclosed in Note 30 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 44(c), (h) & (l), to the Financial Statements.

Other than those disclosed in Note 44(c), (h) & (l), 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 2018, and/or entered into since 31 December 2017.

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 2018 are as disclosed in Note 43 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 2019.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2018 RM'000
MALAYSIA							
KUALA LUMPUR							
PN52352, Lot 80928, Mukim Batu, Kuala Lumpur	36,220 m^2	Land held for development	December 2018	Leasehold 99 years	2109	-	520,610
Lot 11383 Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	4,376 m^2	Menara Hap Seng 2 31-storey office building for rental	December 2018	Freehold	-	5	378,999
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	7,436 m^2	Menara Hap Seng 22-storey office building for rental	December 2018	Freehold	-	46	279,547
Lot 546 & 1246, Seksyen 57, Jalan Sultan Ismail, Kuala Lumpur	2,896 m^2	Investment property under construction	December 2018	Freehold	-	-	180,053
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	December 2018	Freehold	-	3 - 12	218,265
SABAH							
KOTA KINABALU							
29, Jalan Tunku Abdul Rahman, Kota Kinabalu	8,741 m^2	Plaza Shell, 14-storey office building for rental	December 2018	Leasehold 99 years	2073	4	342,173

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2018 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890 ha	Oil palm plantation and buildings Tomanggong Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 50	
Tabin Estate	3,055 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	3 - 33	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	1 - 42	
Litang Estate	1,571 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	2 - 33	857,339
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	1 - 23	
Bukit Mas Estate	4,733 ha	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2089/2887	1 - 23	

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2018 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU (CONTINUED)							
Batangan Estate	3,633 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 36	
Lutong Estate	2,448 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	3 - 27	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 22	581,885
Kapis Estate	2,681 ha	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	January 2017	Leasehold 99 years	2078	2 - 32	
Lungmanis Estate	2,200 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 21	
SINGAPORE							
18, Sungei Kadut Street2, Singapore, 729236	9,920 m²	7-storey industrial building	February 2015	Leasehold 34 years	2043	3	163,662
105, Eunos, Avenue 3, Hafary Centre, Singapore, 409836	4,978 m²	6-storey light industrial building	February 2015	Leasehold 60 years	2039	6	117,843

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2014	2015	2016	2017	**2018**
CROP PRODUCTION - TONNES					
FFB	727,937	709,984	662,774	655,957	**657,259**
PROCESSED - TONNES					
FFB - own	680,741	667,504	643,731	640,507	**640,737**
FFB - purchased	121,673	107,829	91,707	85,006	**80,746**
Palm Oil	172,980	170,546	154,682	150,695	**148,651**
Palm Kernel	38,778	38,087	35,872	35,183	**34,802**
EXTRACTION RATE - %					
Palm Oil	21.56	22.00	21.03	20.77	**20.60**
Palm Kernel	4.83	4.91	4.88	4.85	**4.82**
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	4,089	5,599	5,626	5,615	**4,491**
> 7 years to 17 years	10,122	8,480	7,246	6,839	**8,522**
> 17 years onwards	17,162	18,361	19,502	19,569	**19,125**
Total mature area	31,373	32,440	32,374	32,023	**32,138**
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	23.20	21.89	20.47	20.48	**20.45**
Oil per mature hectare	5.00	4.81	4.31	4.25	**4.21**
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	491	433	521	536	**396**
Palm Oil	2,386	2,168	2,643	2,885	**2,300**
Palm Kernel	1,654	1,600	2,564	2,560	**1,825**

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2018

	River Estates Group	Jeroco	*HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	19,693	10,957	585	903	32,138
Immature	2,054	1,765	-	-	3,819
Total Oil Palm	21,747	12,722	585	903	35,957
Other crop	60	86	-	-	146
Total planted area	21,807	12,808	585	903	36,103
Reserves	27	5	81	308	421
Buildings, roads etc	2,155	1,304	142	154	3,755
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 1 APRIL 2019

Issued share capital	: RM2,489,681,583
Class of shares	: ordinary share
Voting rights	: one vote per ordinary share
Number of shareholders	: 8,476

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	419	4.94	7,172	#
100 to 1,000	1,247	14.71	825,400	0.03
1,001 to 10,000	4,104	48.42	19,625,923	0.79
10,001 to 100,000	2,283	26.94	69,117,987	2.78
100,001 to less than 5% of issued shares	419	4.94	477,615,339	19.18
5% & above of issued shares	4	0.05	1,922,479,762	77.22
Total	**8,476**	**100.00**	**2,489,671,583**	**100.00**

* *The number of 2,489,671,583 ordinary shares which was arrived at after deducting 10,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	%[3]
1.	Gek Poh (Holdings) Sdn Bhd	966,760,542	38.83
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	508,020,640	20.41
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 Phillip Securities (Hong Kong) Ltd (Clients' Account)	97,856,000	3.93
7.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	22,918,700	0.92
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.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	8,958,551	0.36

		Shareholding	%(3)
12.	Mikdavid Sdn Bhd	8,320,600	0.33
13.	HSBC Nominees (Asing) Sdn Bhd	7,382,500	0.30
	- JPMCB NA for Vanguard Emerging Markets Stock Index Fund		
14.	H'ng Poh Gin	7,318,800	0.29
15.	Citigroup Nominees (Asing) Sdn Bhd	6,287,240	0.25
	- CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc		
16.	Cartaban Nominees (Asing) Sdn Bhd	5,514,000	0.22
	- GIC Private Limited for Government of Singapore (C)		
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	3,552,600	0.14
	- BNYM SA/NV for People's Bank of China (SICL Asia EM)		
20.	HSBC Nominees (Asing) Sdn Bhd	3,469,400	0.14
	- JPMCB NA for MSCI Equity Index Fund B - Malaysia		
21.	Citigroup Nominees (Asing) Sdn Bhd	3,398,082	0.14
	- CBNY for Dimensional Emerging Markets Value Fund		
22.	Cartaban Nominees (Asing) Sdn Bhd	2,653,800	0.11
	- SSBT Fund SWV4 for California Public Employees Retirement System		
23.	HSBC Nominees (Asing) Sdn Bhd	2,381,200	0.10
	- JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts		
24.	Gemas Bahru Estates Sdn. Bhd.	2,243,000	0.09
25.	Public Nominees (Tempatan) Sdn Bhd	2,224,000	0.09
	- Pledged Securities Account for Liew Jew Fook (E-PDG)		
26.	Chinchoo Holdings (S) Private Limited	2,041,200	0.08
27.	Cartaban Nominees (Asing) Sdn Bhd	2,035,500	0.08
	- State Street London Fund OD75 for Ishares Public Limited Company		
28.	HSBC Nominees (Asing) Sdn Bhd	1,889,800	0.08
	- HSBC BK PLC for Abu Dhabi Investment Authority (TRANG)		
29.	HSBC Nominees (Asing) Sdn Bhd	1,809,862	0.07
	- JPMCB NA for Government Pension Investment Fund (MTBJ-400045794)		
30.	Citigroup Nominees (Asing) Sdn Bhd	1,794,918	0.07
	- Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)		
Total		**2,261,237,295**	**90.82**

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 2,489,671,583 which was arrived at after deducting 10,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.*

DIRECTORS' SHAREHOLDINGS

AS AT 1 APRIL 2019

	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 2,489,671,583 which was arrived at after deducting 10,000 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 799,687,200 which was arrived at after deducting 312,800 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 43rd annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 30 May 2019 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2018 together with the reports of directors and auditors. Note 1

To consider and if thought fit, to pass the following ordinary resolutions:-

2. To re-elect the following directors who shall retire by rotation in accordance with clause 116 of the Company's constitution and being eligible, have offered themselves for re-election:- Notes 2 & 3

   (a) Datuk Edward Lee Ming Foo, JP **Resolution 1**

   (b) Mr. Lee Wee Yong **Resolution 2**

   (c) Lt Gen (R) Datuk Abdul Aziz Bin Hasan **Resolution 3**

3. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM970,000.00 for the financial year ended 31 December 2018. Note 4 **Resolution 4**

4. To reappoint Messrs Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 5 **Resolution 5**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:-

5. **Authority to allot shares pursuant to section 75 of the Companies Act 2016**

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the 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 6 **Resolution 6**

6. **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 as the independent non-executive chairman of the Company for 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 7 **Resolution 7**

7. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 30 April 2019, 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 8 **Resolution 8**

8. **Proposed renewal of share buy-back authority**

"That subject always to section 127 of the Companies Act 2016, the Company's constitution, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and the approvals of all relevant governmental and/or regulatory authorities, the directors of the Company be and are hereby authorised to purchase ordinary shares in the Company through Bursa Malaysia Securities Berhad, provided that:-

(a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total number of issued shares of the Company;

(b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2018; 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 9 **Resolution 9**

By order of the Board

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

Kuala Lumpur
30 April 2019

Explanatory notes to the Agenda:-

1. *Pursuant to section 340(1) and (2) of the Companies Act 2016 (Act), the directors shall lay before the Company at its annual general meeting (AGM) its audited financial statements made up to a date not more than 6 months before the date of the AGM. This agenda 1 is meant for discussion only and will not be put forward for voting.*

2. *Pursuant to clause 116 of the Company's constitution, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election.*

3. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the board of directors (Board) that these directors be eligible to stand for re-election.*

4. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries. The directors' fees of RM970,000.00 excludes any directors' fees payable by its listed subsidiaries where their respective shareholders' approval has been obtained/is to be obtained.*

5. *Pursuant to section 271(4) 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.*

6. *The proposed resolution 6 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 6, 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 authority will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next AGM of the Company.*

   As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the authority granted by the shareholders at the last AGM held on 30 May 2018, which the authority shall lapse at the conclusion of this AGM.

7. *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.*

   Pursuant to Malaysian Code on Corporate Governance, the Company would seek shareholders' approval through a two-tier voting process to retain an independent director beyond 12 years. The Board recommends that you support the resolution for Dato' Jorgen Bornhoft to continue in office as the independent non-executive chairman of the Company.

   Dato' Mohammed Bin Haji Che Hussein, having served as an independent non-executive director of the Company for more than 9 years has expressed his intention to resign as a director at the conclusion of this AGM.

8. *The proposed resolution 8 is to authorise the Company and its subsidiaries to enter into recurrent related party transactions (RRPT) which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad or convene separate general meetings from time to time to seek shareholders' approval as and when RRPT arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

   Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 30 April 2019 which is issued together with the Company's Annual Report 2018.

9. *The proposed resolution 9 is to authorise the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or 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 2019 which is issued together with the Company's Annual Report 2018.*

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 21 May 2019.*

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 43rd annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 30 May 2019 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 2018 together with the reports of directors and auditors.

ORDINARY BUSINESS		FOR	AGAINST
2. To re-elect Datuk Edward Lee Ming Foo, JP as director of the Company.	Resolution 1		
3. To re-elect Mr. Lee Wee Yong as director of the Company.	Resolution 2		
4. To re-elect Lt Gen (R) Datuk Abdul Aziz Bin Hasan as director of the Company.	Resolution 3		
5. To approve the payment of directors' fees.	Resolution 4		
6. To reappoint Messrs Ernst & Young as auditors of the Company.	Resolution 5		
SPECIAL BUSINESS		**FOR**	**AGAINST**
7. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 6		
8. To approve the continuation of Dato' Jorgen Bornhoft as the independent non-executive chairman of the Company.	Resolution 7		
9. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 8		
10. To approve renewal of share buy-back authority.	Resolution 9		

Please indicate with a "√" in the spaces above on how you wish your votes to be cast. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this ______________ day of ______________ 2019

____
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 21 May 2019.*

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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www.hapseng.com

HAP SENG CONSOLIDATED BERHAD (26877-W)

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

Tel : (603) 2172 5228
Fax : (603) 2172 5286