HAP SENG

Creating
Value
Together






HAP SENG CONSOLIDATED BERHAD

ANNUAL REPORT **2020**

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.

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.

OUR SIX BUSINESS DIVISIONS

1. Plantation
2. Property Investment & Development
3. Credit Financing
4. Automotive
5. Trading
6. Building Materials

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas Karl Rapp
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

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

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Independent Non-Executive Director

Tan Boon Peng
Independent Non-Executive Director

Wong Yoke Nyen
Independent Non-Executive Director

COMPANY SECRETARY

Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No. 202008003410

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
Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7890 4700
Fax : 603-7890 4670

AUDITORS

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Hong Leong Bank Berhad
CIMB Bank Berhad
AmBank (M) Berhad
Affin Bank Berhad
OCBC Bank (Malaysia) Berhad

GROUP

Hap Seng Consolidated Berhad together with its subsidiaries

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2020	**2019**	**2018**	**2017***	**2016**
INCOME (RM'000)					
Revenue	**5,850,326**	7,096,067	6,246,519	5,293,993	4,891,714
Profit before interest and tax	**1,310,656**	1,710,592	1,558,123	1,508,877	1,364,423
Profit before tax	**1,106,935**	1,476,813	1,394,178	1,375,897	1,244,935
Profit attributable to owners of the Company	**750,179**	1,162,871	1,145,608	1,098,923	1,000,960
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	**17,269,962**	17,372,884	15,575,804	13,169,322	11,725,461
Net assets	**7,484,328**	7,340,166	7,025,388	6,137,861	5,490,676
Current assets	**8,324,346**	7,878,204	7,092,661	5,397,418	5,105,674
Liabilities					
Current liabilities	**4,542,273**	5,022,768	3,832,530	3,976,766	3,433,667
Borrowings	**6,490,655**	6,381,186	5,428,983	4,478,875	4,425,247
Borrowings (net of money market deposit and cash)	**3,505,735**	4,073,624	3,788,635	3,739,628	3,386,227
Shareholders' Equity					
Paid-up share capital	**3,519,554**	3,519,554	3,519,554	3,519,554	2,489,682
Shareholders' equity	**7,484,328**	7,340,166	7,025,388	6,137,861	5,490,676
Total equity	**8,657,593**	8,618,856	8,296,743	7,107,201	6,122,455
Total equity (excluding intangible assets)	**8,619,555**	8,575,053	8,243,896	7,070,465	6,037,306
Number of shares					
- Weighted average shares in issue net of treasury shares ('000)	**2,489,670**	2,489,670	2,489,674	2,489,679	2,362,902
- Shares in issue net of treasury shares ('000)	**2,489,670**	2,489,670	2,489,672	2,489,676	2,489,680
SHARE INFORMATION					
Per share					
Basic earnings (sen)#	**30.13**	46.71	46.01	44.14	42.36
Net assets (RM)@	**3.01**	2.95	2.82	2.47	2.21
Dividend (sen)	**25.00**	35.00	35.00	35.00	35.00
Share price					
- Year High (RM)	**10.08**	10.26	10.20	9.79	8.93
- Year Low (RM)	**6.70**	9.45	8.70	8.53	6.40
- As at 31 December (RM)	**8.60**	9.98	9.85	9.55	8.86
Market capitalisation (RM'000)	**21,411,162**	24,846,907	24,523,269	23,776,406	22,058,561
Trading volume ('000)	**119,031**	102,267	120,484	101,444	362,662
FINANCIAL RATIOS					
Return on total assets (%)	**4.34**	6.69	7.36	8.34	8.54
Return on shareholders' equity (%)	**10.02**	15.84	16.31	17.90	18.23
Current ratio (times)	**1.83**	1.57	1.85	1.36	1.49
Net Debt-to-Equity ratio (times)^	**0.41**	0.48	0.46	0.53	0.56

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

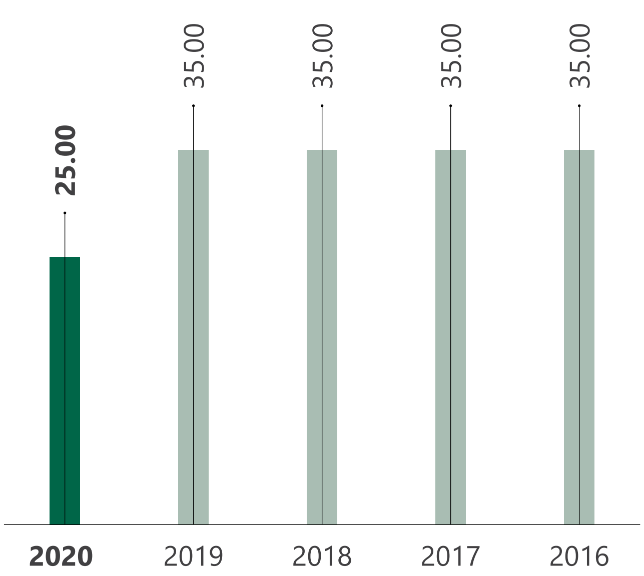
\# *Based on weighted average number of shares in issue net of treasury shares ('000)*

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

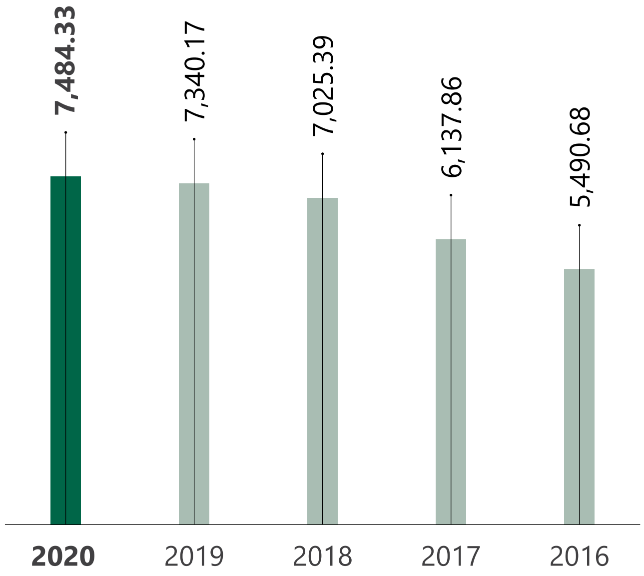
^ *Net Debt-to-Equity ratio is computed based on borrowings (net of money market deposits and cash and bank balances) and total equity (excluding intangible assets)*

GROUP FINANCIAL HIGHLIGHTS

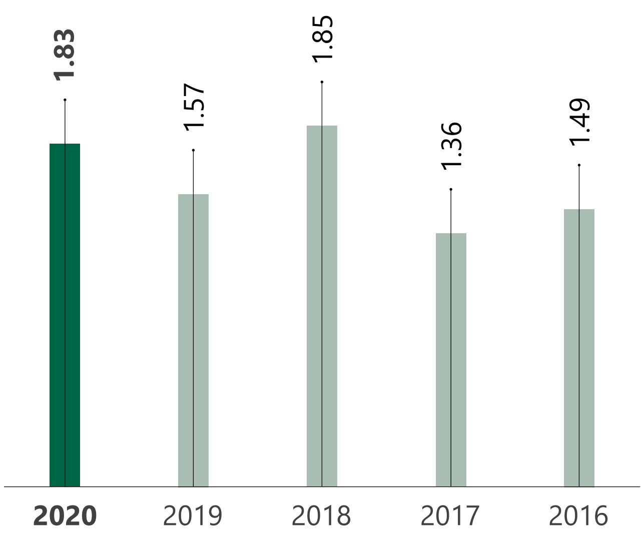
DIVIDEND PER SHARE
(sen)



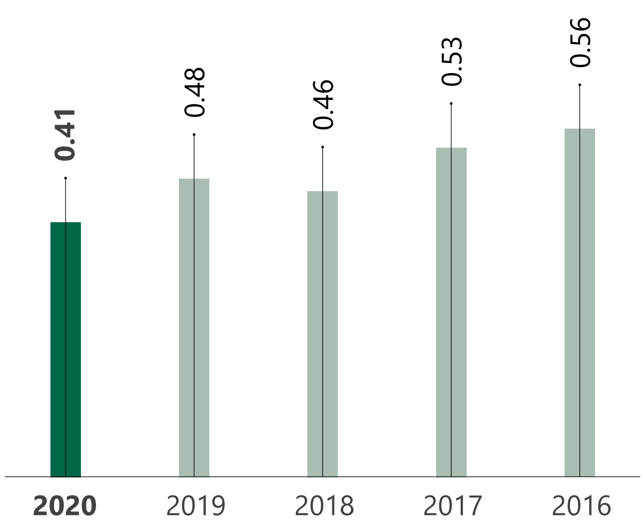
SHAREHOLDERS' EQUITY
(RM'million)



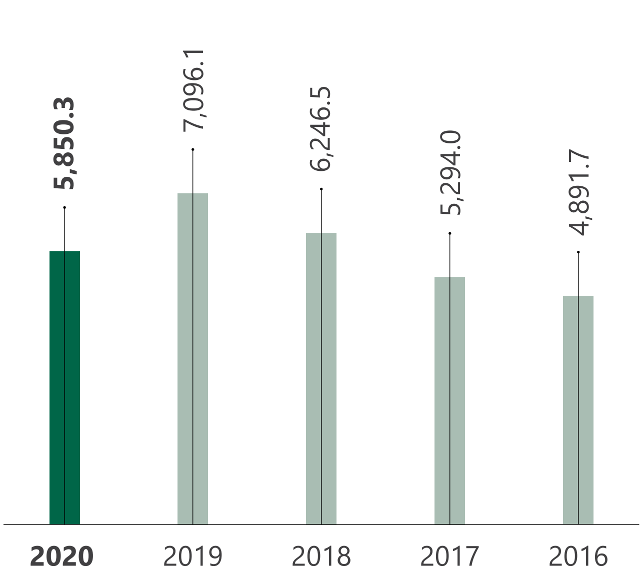
CURRENT RATIO
(times)



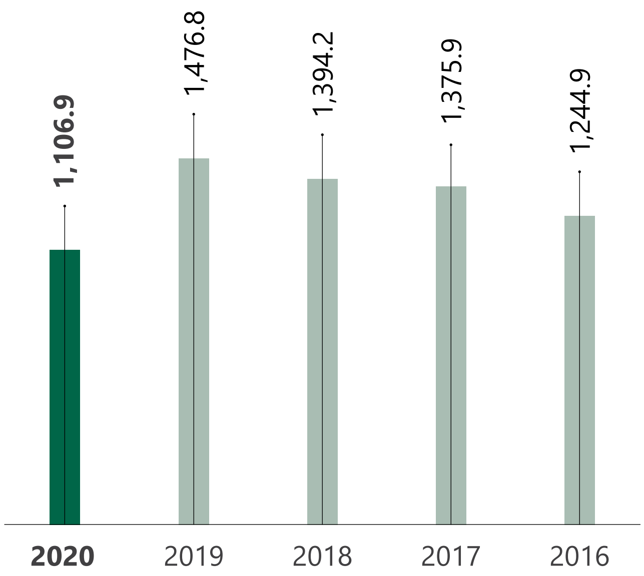
NET DEBT-TO-EQUITY RATIO
(times)



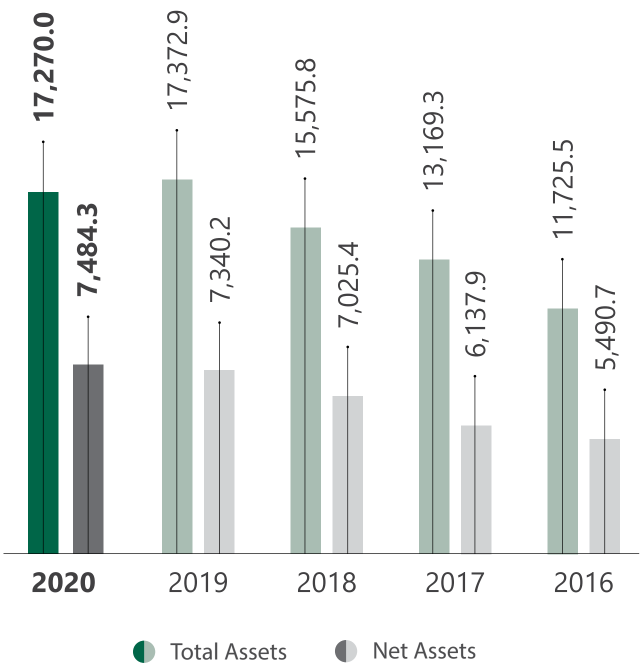
REVENUE
(RM'million)



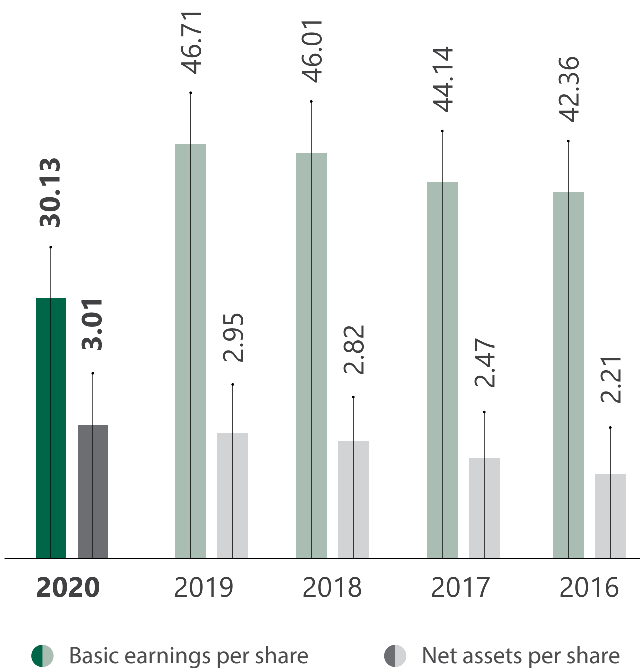
PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE
(sen)/(RM)



MANAGEMENT DISCUSSION AND ANALYSIS

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 Singapore, Indonesia, China and the United Kingdom.

VISION

Creating Value Together

The Group strives to create value together with all its 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

In 2020, the global economy experienced one of the worst recessions due to the adverse impact of the COVID-19 pandemic, resulting in a 3.5% and 9.6% contraction in the global economy and trade respectively.

Similarly, Malaysia's GDP contracted by 5.6% in 2020 (2019: grew by 4.3%) with all economic sectors suffering a contraction in growth. The implementation of the various movement controls throughout the year, coupled with a disruption in global supply-chain and labour shortages, affected the Malaysian economy, with both public and private investment declining by 21.4% (2019: -10.8%) and 11.9% (2019: increase of 1.6%) respectively.

Private consumption also declined by 4.3% (2019: increase of 7.6%) as household expenditure was affected by a declining income and employment, with employment growth contracting by 0.2% (2019: increase by 2.1%). Public consumption however increased by 4.1%, supported by increased government spending for COVID-19 related measures.

This decline in domestic demand, coupled with the weak global economy, collectively resulted in a contraction in imports and exports by 6.3% (2019: -3.5%) and 1.4% (2019: -0.8%) respectively.

Headline inflation for 2020 was negative at -1.2% (2019: 0.7%) mainly due to the decline of global oil prices which resulted in lower retail fuel prices. Crude oil prices weakened in 2020 with average Brent prices at USD42 per barrel compared to the average price of USD64 per barrel in 2019.

In response to the COVID-19 pandemic and its ensuing impact on the Malaysian economy, the government introduced a series of stimulus packages worth RM305 billion to support the local economy. Significant and immediate fiscal support such as cash transfers, tax incentives and wage subsidies, coupled with financial measures such as the six-month automatic loan moratorium for households and Small and Medium enterprises (SMEs) helped to ease cash flow constraints and reduce job losses. A sales tax exemption until 30 June 2021 for sale of motor vehicles was also introduced to support the local automotive industry. The Overnight Policy Rate (OPR) was also reduced to 1.75% in 2020 from 3.00% in 2019 to support the economy. In addition, the Statutory Reserve Requirement (SRR) ratio was reduced from 3% to 2% to ensure sufficient liquidity in the system to safeguard the financial intermediation process.

FINANCIAL REVIEW

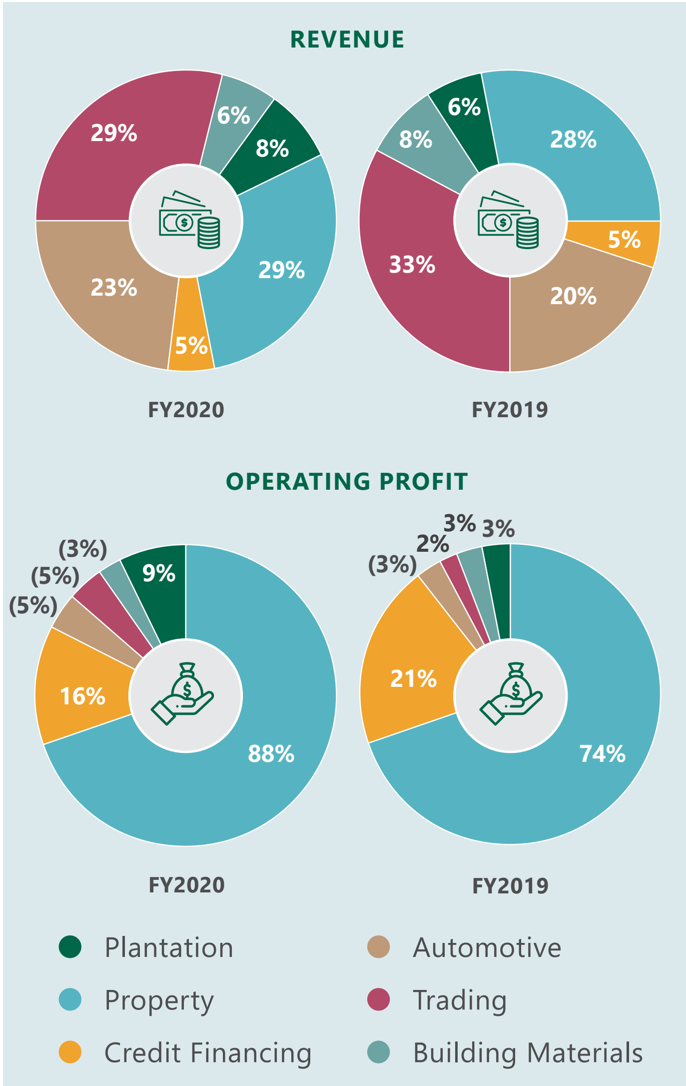
The Group recorded 17.6% decrease in revenue to RM5.85 billion (2019: RM7.10 billion) primarily due to lower contribution from all divisions except for the plantation division. The lower total revenue was due to the slowdown in economic activities and the negative market sentiments brought on by the COVID-19 pandemic. The plantation division recorded revenue growth due to strong crude palm oil (CPO) prices brought about by the low CPO production and the recovery in CPO demand from major importing countries in the second half of 2020.

Correspondingly, the Group's profit for the year after non-controlling interests for the 2020 financial year decreased by 35.5% to RM750.2 million (2019: RM1.16 billion).

Group earnings per share decreased by 35.5% to 30.13 sen (2019: 46.71 sen). In line with the dividend policy of the Group of paying not less than 50% of profit after tax, a total dividend of 25 sen per share for the year (2019: 35 sen per share), representing a pay-out ratio of approximately 83% was declared and paid.

SEGMENTAL PERFORMANCE HIGHLIGHTS

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



PLANTATION

The division 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 39,727 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.

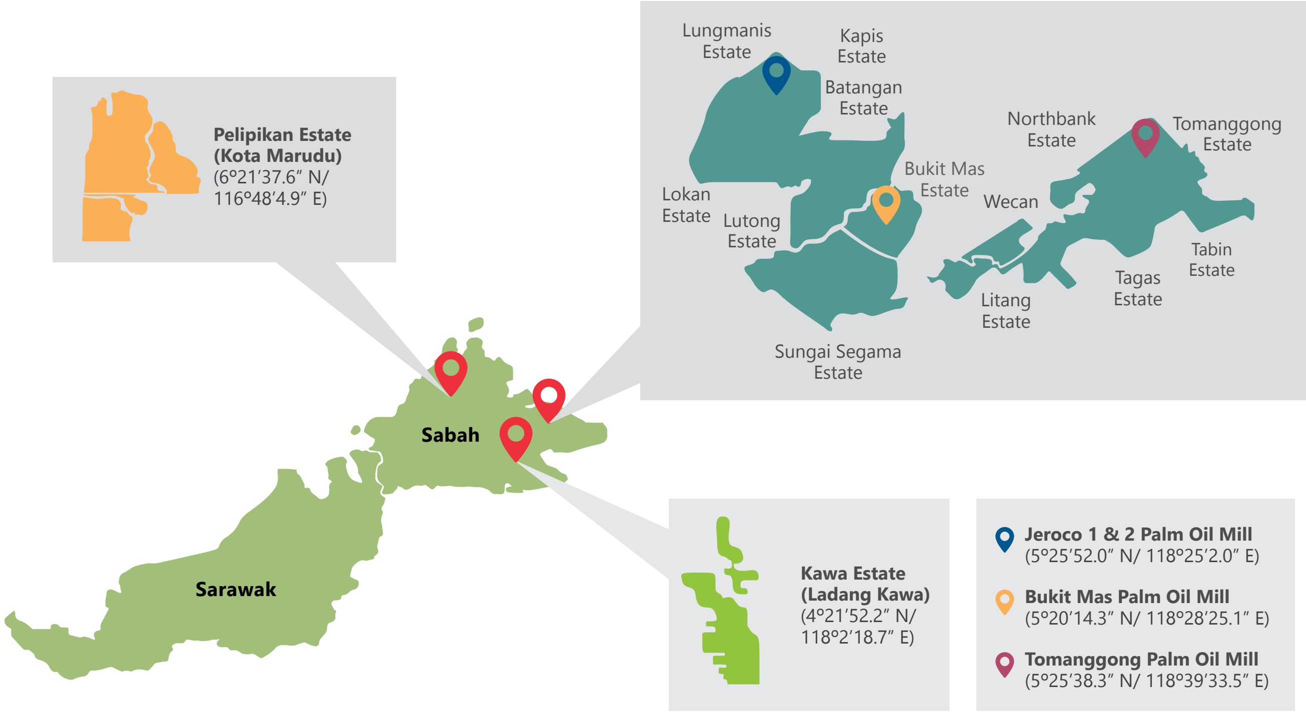
Revenue

RM467.6
million

Operating Profit

RM110.9
million

PLANTATION OPERATIONS



MARKET CONDITION

In 2020, the Malaysian palm oil industry was disrupted by the COVID-19 pandemic. The various movement restrictions during the year hampered the supply of workforce and the harvesting and processing activities, which resulted in lower palm oil production.

Consequently, Malaysian palm oil production fell by 3.6% to 19.14 million tonnes (2019: 19.86 million tonnes). Total palm oil exports declined by 5.8% to 17.40 million tonnes (2019: 18.47 million tonnes), partly due to the lower palm oil production.

The second half of 2020 saw a recovery in CPO prices due to stronger demand from key markets and the strengthening of competing vegetable oil prices against a backdrop of lower palm oil production. CPO price closed out the year at an average of RM2,685 per tonne (2019: RM2,079 per tonne). The Sabah average CPO price was RM2,671 per tonne (2019: RM2,094 per tonne).

MANAGEMENT STRATEGIES

Key Market

The division sells its palm products generally through Spot Sales and Forward Contracts basis. Majority of the sales were local delivered sales to refiners within Malaysia and a certain percentage of the sales exported on a free-on-board basis.

Strategies in Creating Value

The division is a member of the RSPO and 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
- Price premium for certified sustainable palm oil (CSPO)
- Reduced emission of greenhouse gases through methane capture in effluent treatment plant
- Improved compliance with regulatory requirements

2020 FINANCIAL REVIEW

The division's financial performance for the year improved over the preceding year in tandem with the CPO price recovery in 2020. The division's revenue for the financial year under review was RM467.6 million, 11.7% higher than the previous financial year of RM418.6 million.

Operating profit increased by 181.9% over the previous financial year to RM110.9 million (2019: RM39.4 million). This included the gain from the disposal of plantation land of RM12.9 million.

The division recorded an average realised price of CPO and Palm Kernel (PK) of RM2,788 per tonne (2019: RM2,143 per tonne) and RM1,681 per tonne (2019: RM1,311 per tonne) respectively during the year, which was higher than the Sabah average of RM2,671 per tonne and RM1,438 per tonne respectively.

CPO production cost (excluding amortisation of bearer plants and surplus on fair value; and after taking into account PK credits) for the financial year was approximately 13.5% higher at RM1,682 per tonne (2019: RM1,482 per tonne) mainly due to lower CPO production.

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2020, the division had a total planted area of 35,434 hectares (2019: 35,957 hectares) out of a total area of 39,727 hectares. The reduction in total hectarage was due to the sale of plantation land. Of the total planted area, approximately 91% or 32,286 hectares (2019: 32,458 hectares) were mature areas, with an average age of 15.9 years (2019: 15.8 years).

	Hectares
Immature	3,148
30 months to 7 years	5,040
> 7 years to 17 years	10,196
> 17 years	17,050
Total planted – oil palm	35,434
Immature – other crops	146
Total planted area	35,580
Reserve plantable	113
Building, road, reserves, etc	4,034
Total Area	**39,727**

For FY2020, the division had 3,148 hectares of immature of oil palm out of which 982 hectares are expected to mature in 2021. The division replanted 1,061 hectares during the 2020 financial year.

Area Statement of the Group as of 31 December 2020 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE(i)	14,117	*12,808	11,863	92.6%
TMGOE(ii)	12,806	**11,863	11,009	92.8%
SSGOE(iii)	9,907	8,743	7,248	82.9%
Ladang Kawa	724	678	678	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	**39,727**	**35,580**	**32,286**	**90.7%**

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

Milling Operations

The division's milling operations are undertaken by four mills with a combined milling capacity of 180 Fresh Fruit Bunch (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, recorded an average utilisation rate of 67.0% in 2020 (2019: 69.2%).

Sustainability and Food Safety Certification

The division strives to ensure FFB used in its production, whether sourced internally or externally, are certified to be sustainable. To this end, the Group has reviewed the targets to ensure all its FFB achieve RSPO certification by 2022.

The division has obtained RSPO and International Sustainability and Carbon Certification EU (ISCC EU) certifications for most of its operations. In addition, the division has obtained Malaysian Sustainable Palm Oil (MSPO) certification for all its 15 estates and four palm oil mills in 2018.

The division continues to engage with independent local outgrowers and smallholders to raise sustainability awareness and the benefits associated therewith.

As at the end of 2020, seven out of the 11 independent local outgrowers and smallholders (64%) participated in obtaining the RSPO and MSPO certification. Three independent local outgrowers and smallholders have obtained both RSPO and MSPO certification in the period of 31 December 2019 to 16 March 2020 while another one independent local outgrower achieved MSPO Certification as at December 2020.

As part of the division's effort to improve the palm products' marketability for food application, all the division's mills are Hazard Analysis Critical Control Points (HACCP), Makanan Selamat Tanggungjawab Industri (MeSTI) and HALAL certified.

SHORT & LONG-TERM GOALS

The various certifications obtained on RSPO, HACCP, MSPO, ISCC EU, HALAL and MeSTI are a testament to the division's commitment to be a responsive sustainable palm oil producer in compliance with global sustainability standards for agriculture production and to enhance the market accessibility with good quality or specification of palm oil produced that meet the market requirement.

OUTLOOK FOR 2021

The division's prospect mostly depends on the domestics and global macroeconomic factors which affect the palm oil market, weather conditions in major countries producing oil seeds, government policy on biodiesel and the seasonal cropping pattern of FFB.

Palm oil production has yet to recover in the 1st Quarter 2021 primarily due to heavy rain and flooding particularly in Sabah which affected harvesting and processing activities. The re-imposition of the Movement Control Order (MCO) in mid-January has impacted production. However, palm oil production in Malaysia is expected to recover by the 2nd half of 2021.

Malaysian palm oil production is expected to reach close to 20 million tonnes in 2021. Coupled with the recent change in export tax structure in Indonesia, which will likely shift demand for CPO from Indonesia to Malaysia, this is likely to augur well for export of Malaysian palm oil.

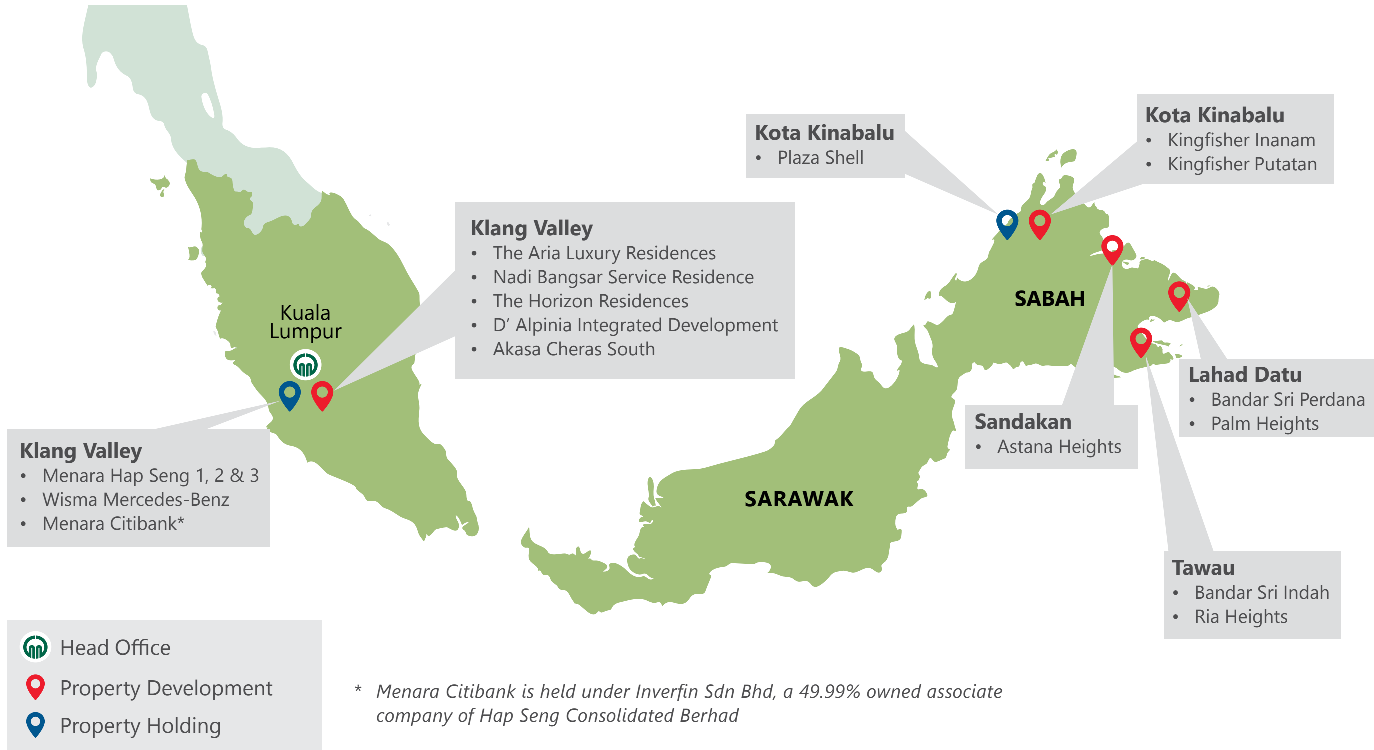
PROPERTY INVESTMENT & DEVELOPMENT

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 the Klang Valley and Sabah . The division's investment properties are mainly located in the central business districts of Kuala Lumpur (KL) and Kota Kinabalu (KK).

Revenue
RM1.78
billion

Operating Profit
RM1.12
billion

PROPERTY DIVISION'S OPERATION NETWORK



MARKET CONDITION

Faced with an unprecedented global COVID-19 pandemic, the division's operations were adversely affected by the various movement controls throughout 2020. With the resumption of economic activities and the adoption of various initiatives such as work-from-home, digital sales and COVID-19-compliant construction sites, the division has recorded a pick-up in sales and site progress in the later part of 2020. Generally, the property market in Malaysia has seen a decline in property sales transactions, both in volume and value, in year 2020.

In the first nine months of 2020, the number of residential transactions in Malaysia decreased by 11.0% with the Klang Valley and Sabah registering a decrease of 17.9% and 21.5% respectively as compared to the corresponding period in 2019. Value of transactions also decreased in the Klang Valley and Sabah by 14.0% and 18.0% respectively.

The property market started to recover upon the easing off of the various movement controls. This was evidenced by a 4.9% increase in the number of residential transactions in the third quarter of 2020 compared with the third quarter of 2019. The Klang Valley and Sabah registered a 0.3% and 11.6% increase respectively in the third quarter 2020 compared with the same period last year.

To cushion the pandemic's effect on the people, the government initiated many incentive packages such as the Penjana and Permai packages. The division also leveraged on such initiatives which included the extended Home Ownership Campaign (HOC) with selective stamp duty waiver on transfers and loan agreements.

During the year, the division intensified its efforts on digital marketing. Virtual show rooms and virtual launches have become an integral part of marketing to reach out to potential buyers.

Menara Hap Seng 1

Menara Hap Seng 2

Menara Hap Seng 3

As for property investment in Malaysia, the overall occupancy rate of office buildings in KL for the third quarter of 2020 stood at 75.9%, slightly lower than 77.0% in the third quarter of 2019. The lower occupancy rate was due to the increase in office space supply and slower office space absorption. As at the end of third quarter of 2020, the total office space in KL increased to 8.7 million square meters from 8.6 million square meters as at the end of the third quarter of 2019.

Plaza Shell

In third quarter of 2020, KK registered an overall occupancy rate of 86.9% for office buildings, marginally higher than the prior year's third quarter of 86.1%, with no material increase in the total office space which remained at 0.5 million square meters.

During the year, investment building owners also benefitted from additional tax deduction in respect of rental reduction given to Small and Medium Enterprise (SME) retailers.

MANAGEMENT STRATEGIES

The division will continue to actively leverage on the ongoing Home Ownership Campaign 2021. This has garnered favourable response from first-time home buyers for our affordably priced product offerings in both Klang Valley and Sabah.

The division will design its product offerings to suit the prevailing market demand such as spacious green area and communal space. In addition, the division seeks to create self-sufficient communities, with proximity to grocers and convenience shops. The division will endeavour to adopt more innovative, green and energy-efficient products in its future launches.

At the same time, the division will further utilize and improve its digital marketing strategies and continue to leverage on its extensive business network and associates to sell its properties. The division is always on the lookout for land banking opportunities in strategic locations.

OPERATIONAL PERFORMANCE

In 2020, the division recorded a 14.1% decrease in revenue to RM1.78 billion (2019: RM2.07 billion). The lower revenue was attributed to the decline in the property sales and slower construction work at sites due to the COVID-19 pandemic. The revenue included the disposal of non-strategically located land held for development. The main revenue contributors were Aria Luxury Residences, Akasa Residences Cheras South, Ria Heights and Bandar Sri Indah.

Rental income from our investment properties increased to RM80.4 million (2019: RM77.7 million), which was contributed by Menara Hap Seng 3, the newly completed Grade-A office building which commenced operations in July 2020.

Notwithstanding the lower revenue, the division recorded a 22.2% increase in operating profit to RM1.12 billion (2019: RM914.8 million) due to the higher gains arising from the disposal of non-strategically located land held for development.


The Aria Luxury Residences

PROPERTY DEVELOPMENT

PENINSULAR MALAYSIA

The Aria Luxury Residences

The Aria Luxury Residences is a luxury condominium located on Jalan Tun Razak in close proximity to KL's new financial district, Tun Razak Exchange (TRX), with views of the Petronas Twin Towers. It is within easy reach of nearby international schools, medical centres, Grade-A offices and transport links. It is easily accessible by highway, expressways and is within walking distance to the Kuala Lumpur City Centre (KLCC) East MRT station which is under construction. Aria is served by shopping malls such as Suria KLCC and Pavilion Kuala Lumpur. It is also surrounded by the KLCC Park and The Royal Selangor Golf Club (RSGC) offering an 18-hole championship golf course.

Aria offers generous contemporary facilities, spanning across 65,000 square feet, including a 50-metre long Olympic-length pool, jacuzzi, hydro gym pool and a full glass-fronted gym overlooking the lush greenery of RSGC. The top two floors of Aria are equipped with fully functional theatre room, gourmet kitchen, reading lounge, games room and viewing decks of the spectacular KLCC skyline. The two prominent and elegant blocks of 45-storey condominium comprise 598 freehold residential units with a gross development value (GDV) of RM1.10 billion.

Akasa Cheras South

Akasa Cheras South is a mixed development comprising Akasa Service Residence and Akasa Business Park. It is surrounded with burgeoning neighbourhood complete with shopping malls, medical facilities and international schools. Leveraging on a network of major highways and public transportation, Akasa is conveniently connected to KL and Klang Valley.

Akasa Service Residence, with a GDV of RM648 million, comprises three blocks of residential towers with 998 units. It offers resort living with an expansive 150,000 sq ft facility space including the first man-made beach in Cheras. Its units offer practical and spacious design at an affordable price suitable for young first home buyers. Its family-oriented facilities include an Olympic-length lap pool, kids entertainment zone, music chamber, games lounge and gourmet kitchen, Wifi corner, private dining atrium and shuttle bus to nearby amenities including MRT and KTM.

Akasa Business Park is a landmark commercial centre in Cheras South complete with amenities and enjoys a large population catchment from neighbouring businesses and light industries. Akasa Business Park comprises signature offices and retail spaces ranging between five to eight storeys with an expected GDV of RM200 million complementing the belt of well-established businesses in Cheras South. The Akasa Service Residence and Akasa Business Park are slated to be completed in the second quarter of 2021.


Akasa Cheras South | Artist Impression

UPCOMING NEW PROJECTS IN WEST MALAYSIA

KL Midtown Mixed Development at KL Metropolis

This proposed contemporary mixed development spanning 8.95 acres, comprising 5 major components including luxury residences, a retail galleria, signature offices, corporate offices and a 5-star hotel, is located at KL Metropolis. KL Midtown is within walking distance to the Malaysia International Trade and Exhibition Center (MITEC) and overlooks the Metropolis Park, a 5-acre urban park equipped with recreational facilities. It is strategically located in close proximity to prime established residential and commercial centres such as Mont Kiara, Publika, Damansara Heights and Bukit Tunku.

Construction of the basement carpark has commenced and is targeted for completion by 2023. The other components, such as retail and hotel, will be constructed progressively. When completed, KL Midtown will have an estimated GDV of RM4 billion.

The well anticipated hotel component is the group's second hotel project partnership with Hyatt International. To be known as Hyatt Regency KL, it will form an essential part of KL Midtown. This prestigious project is headed by the world-renowned Japanese architect, Mr. Kengo Kuma. It consists of approximately 400 hotel rooms and luxurious high-end serviced suites. The hotel will provide four exciting dining venues, a market café, Japanese restaurant, bar, Regency Club and lobby lounge. It will also feature 2,000 square meters state-of-the-art meeting space, including a 1,000 square meter grand ballroom. Other facilities include outdoor swimming pool and fitness centre. The hotel is designed with direct connection to MITEC, the largest exhibition venue in Malaysia. Upon completion, the hotel will support and complement MITEC, offering world class hospitality to business travelers, event organisers and tourists visiting MITEC.

Jalan Kia Peng Executive Apartment

The Jalan Kia Peng Executive Apartment is a 44-storey executive apartment comprising 348 units with a GDV of RM552 million. The executive apartment is strategically located along Jalan Kia Peng and is within walking distance to MRT stations as well as Suria KLCC and Pavilion Kuala Lumpur. This residential block will have lifestyle terraces featuring pockets of green outdoor space. It is expected to commence construction in 2020, targeting completion in 2024.

SABAH

KOTA KINABALU

Hyatt Centric Kota Kinabalu

The division is currently developing its inaugural hotel, Hyatt Centric Kota Kinabalu, located in the heart of Kota Kinabalu city. This five-star hotel is designed by the world-renowned Japanese architect, Mr Kengo Kuma.

The 22-storey hotel with 222 guestrooms will offer convenient access to neighbouring commercial district, shopping malls, restaurants and other local attractions. The hotel will feature a lounge, restaurant, meeting space, rooftop swimming pool and a bar with panoramic views of the South China Sea and a fitness centre. The hotel will complement and help to contribute to the tourism industry in Kota Kinabalu. The hotel is expected to commence operations in mid 2022.

Hyatt Centric Kota Kinabalu | Artist Impression

Kingfisher Inanam

Kingfisher Inanam

Kingfisher Inanam is located in the established and well matured neighbourhood of Inanam and is 2 km away from the Pan Borneo Highway interchange which is currently under construction. This residential development is minutes away from surrounding amenities as well as commercial, trade and education hubs giving convenience to residents.

The three blocks of residential towers offer resort living experience surrounded by green hills. It overlooks 2 acres of sky recreation facilities comprising natural green landscaping, sport amenities such as swimming pool, gymnasium, jogging track and basketball court; and recreational areas such as a party lounge and barbeque terrace.

To date, a total of 739 units with a GDV of RM399 million have been completed. Future phases are currently under planning.

Kingfisher Putatan

Kingfisher Putatan is nestled beside the city of Kota Kinabalu, within the established neighbourhood of Putatan. This development is merely 15 minutes away by car to the city of Kota Kinabalu and 10 minutes to the Kota Kinabalu International Airport. It also enjoys easy accessibility to the Pan Borneo Highway interchange.

Kingfisher Putatan comprises 4 blocks of residential towers totalling 528 units which offer a breath-taking view of the Crocker mountain range. The condominium is equipped with seismic interlocking design and facilities such as swimming pools, sauna room, a basketball court and gardens. To date, a total of 528 units with a GDV of RM280 million have been completed. Future phases are currently under planning.

Kingfisher Putatan

MANAGEMENT DISCUSSION AND ANALYSIS

Bandar Sri Indah

TAWAU

Bandar Sri Indah

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

Designed as self-sufficient township, BSI offers comprehensive facilities such as school, supermarket, community sports complex, eateries which include fast food chains, intercity bus terminal and the largest Petron petrol station in Tawau catering for both residents and the community.

BSI is a nature inspired self-contained township, it offers sizable green landscape to its residents with its high ground surrounded by green lung and three scenic forest reserves. The township also offers a 15.5-acre lake garden with 50 species of orchid providing lush greenery and recreational activities to the community.

The township is also an education hub with Open University Malaysia, Tawau Vision School, Vision International School and Community College.

Designed with multigenerational living concept and security in mind, BSI offers a wide range of products, from affordable apartments to single storey and semi-detached properties. A total of 2,907 units of residential, commercial and industrial properties with a GDV of RM1.03 billion have been completed to date.

Future phases include the South Ville Apartments, comprising 512 units of affordable housing, which bears testament to the division's commitment to provide affordable housing to the local populace.

Ria Heights

Ria Heights is located close to the centre of Tawau town and surrounded by the Bukit Gemok forest reserve. Launched in 2015, the development is an established township with amenities including schools, a sports complex, convenience stores, food stalls and clinics. It is merely 7 minutes away to Tawau town. To date, a total of 966 residential and commercial units with a GDV of RM376 million have been completed.

Ria Heights

Bandar Sri Perdana

LAHAD DATU

Bandar Sri Perdana
The 250-acre Bandar Sri Perdana is the fastest growing integrated township in Lahad Datu. It 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 GDV of RM570 million have 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.

SANDAKAN

Astana Heights
Astana Heights is a mixed development project located on the hill with serene panoramic view of the Sulu Sea. It's first high-rise development, Kingfisher Sandakan, offers 792 units in four blocks of 18-storey apartments was launched in 2018 with target completion in 2021.

This gated and guarded condominium is also the first in Sandakan that comes with a 3 tier security system and full facilities such as a swimming pool, wading pool, basketball court, sepak takraw court, playground, recreation area, function hall, sauna room and gymnasium. This project is priced affordably targeting young families. When completed, Kingfisher Sandakan will have a GDV of RM312 million.

Astana Heights | Artist Impression

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY INVESTMENT

2020 was a challenging year for the commercial office market due to the COVID-19 pandemic. The division's primary focus was on the safety and well-being of tenants and visitors of all its investment properties. The division introduced COVID-19 compliance related health and safety measures upon the onset of the COVID-19 outbreak across all our investment properties, such as temperature screening, MySejahtera registration and social distancing rules. Its building management teams in both Klang Valley and Sabah provide weekly sanitization of common spaces and tirelessly respond to ad-hoc COVID-19 related-requirements by tenants. The team also actively engages with tenants to show our commitment to uphold high standards of maintenance and upkeep especially during the COVID-19 pandemic.

Menara Citibank


Menara Hap Seng 3

Despite a challenging backdrop, Menara Hap Seng, Menara Hap Seng 2, Plaza Shell and Menara Citibank recorded an average occupancy rate of 88%. The division's newly completed Menara Hap Seng 3, features Malaysia's first-ever 90-metre high indoor vertical green wall within the internal atriums of the office building that brings in natural daylight to illuminate the internal space of the offices and was awarded LEED GOLD certification. It also houses a state-of-the-art Mercedes-Benz dealership. This 26-storey MSC zoned corporate office is situated at the prominent Kuala Lumpur intersection of Jalan Sultan Ismail and Jalan P Ramlee and recorded 36% occupancy in its first year of operation.

Menara Hap Seng 3 connects to Menara Hap Seng and Menara Hap Seng 2, which together form Plaza Hap Seng. Plaza Hap Seng, with a total net lettable area of 888,000 square feet, is expected to have a community of over 5,000 people from offices and retail outlets offering food and beverages, banking facilities, fitness centre, auditorium, business centre and convenience stores.

Wisma Mercedes-Benz

CONSTRUCTION

The division, as the turn-key contractor, has completed the construction of Hap Seng Business Park during the year. This modern Business Park is situated on a 20-acre piece of land in the prominent Section 23 in Shah Alam. It consists of basement parking, three blocks of detached warehouses, eight blocks of semi-detached warehouses, one block each of body and paint centre, flatted warehouse and office with retail units measuring a total 1.3 million square feet of industrial and office space. It offers flexible layout, high floor loading, large column space, high floor-to-floor heights suitable for warehouse, assembly line, data centres, showroom, retail and offices with premium 24-hour security features.

SHORT AND LONG-TERM GOALS

The division strives to grow its property development business as well as to achieve an attractive yield for its investment properties. In addition, the division continues to actively support the government's initiative in promoting home ownership at strategic locations.

The division endeavours to expand and keep up with its future development plans and growth by looking out for land bank acquisitions in strategic locations. With the division's diversification into the hotel industry, the division strives to improve and vary its products and services.


Hap Seng Business Park

OUTLOOK FOR 2021

Residential sector
For the property sector, market sentiment is expected to remain soft in 2021. The current property overhang and the challenging business environment resulting from the ongoing COVID-19 pandemic will have an adverse impact on the property market in the immediate term. However, the division is cautiously optimistic of the affordable residential property market due to the government incentives focusing on home ownership as well as an accommodative monetary environment.

Commercial office sector
In general, the commercial office market will continue to be confronted with severe headwinds in 2021 with the oversupply of office space in Klang Valley. However, with a relatively stable tenant portfolio, and active leasing and building management, the division is confident that its investment properties will remain viable.

CREDIT FINANCING

The Credit Financing division's principal activity is the provision of secured term loans and industrial hire purchase, primarily to small and medium enterprises (SME). The division has presence both in Malaysia and the United Kingdom (UK), under Hap Seng Credit Sdn Bhd and HS Credit (Birmingham) Ltd respectively. Hap Seng Credit Sdn Bhd operates via three regional business centres; two in Peninsular Malaysia and one in Sabah, and is a leading non-bank credit financing institution in Malaysia. In the UK, the division only offers secured term loans to the UK market.

Revenue
RM285.8
million

Operating Profit
RM209.9
million


Hap Seng Credit Sdn Bhd

CREDIT FINANCING DIVISION'S OPERATION NETWORK

MARKET CONDITION

The Malaysian economy faced a very challenging situation in 2020 caused by measures taken to contain the COVID-19 pandemic, which slowed economic activities significantly for the most part of the year. Consequently, the division's business performance during the year was adversely impacted by the pandemic and the various movement controls that was implemented since March 2020. During the year, the Malaysian government imposed certain measures on the financial services sector to buffer the pandemic impact on SME businesses and individuals, including the imposition of loan moratoriums on licensed banking institutions.

MANAGEMENT STRATEGIES

The division continues to uphold the principle of prudent lending by procuring acceptable quality businesses with reasonable return, targeting borrowers with proven track record, and providing excellent services to its borrowers. The division will concentrate on cautiously growing its term loan portfolio with innovative product development tailored to customers' needs.

The division also actively engages with its borrowers affected by the pandemic by according loan restructuring and/or other forms of indulgence.

OPERATIONAL PERFORMANCE

Faced with economic uncertainty arising from the pandemic and as a prudent measure in managing liquidity risk, the division adopted a consolidation mode in new business procurement for much of the year. Continuous emphasis was placed in managing cost of funds and funding requirements to achieve reasonable interest costs as well as stringent management of operating cost. With intensified efforts in credit collections, loan recovery and rehabilitations, the division was able to contain its non-performing loans to a manageable level.

As a result of the consolidation initiative, the division recorded a lower revenue resulting in a lower operating profit of RM209.9 million (2019: RM259.1 million), a decrease of 19.0% over the preceding year. The loan base declined by 4.0% to RM3.72 billion (2019: RM3.88 billion). The return on average asset declined to 2.59% (2019: 3.52%), which compared favourably with the industry average of 1.1% (2019: 1.5%). Gross non-performing loans (NPL) ratio increased to 2.35% in 2020 (2019: 1.34%) largely attributed to term loans which were well collateralised.

SHORT AND LONG-TERM GOALS

In the short-term, the credit division is likely to grow its loan portfolio in tandem with the anticipated economic recovery, both domestically and globally. The division will continue to focus on maintaining a stable and quality loan receivable portfolio while emphasising on credit control and debt collection.

In the long-term, the division will maintain its efforts to improve portfolio return and continue expanding its term loan portfolio that will enhance portfolio stability.

The division places much importance in the development and retention of human capital. In this regard, internal training programs are regularly conducted in the areas of technical updates and refresher seminars for relevant staff.

OUTLOOK FOR 2021

Malaysia recorded negative economic growth of -5.6% in 2020 (2019: 4.3%), reflecting the severely negative effects of the pandemic. 2021 GDP growth is forecasted at 6.5% to 7.5%. Coupled with the encouraging rollout of the National COVID-19 Immunisation Programme, there are signs of improving business sentiments. The division will capitalise on good business opportunities that may present itself, as well as to leverage on the group-wide synergies.

AUTOMOTIVE

The Automotive division is in the sale of Mercedes-Benz passenger cars and distribution and sale of Mercedes-Benz and FUSO commercial vehicles in Malaysia. The passenger car business is operated via Hap Seng Star Sdn Bhd (Hap Seng Star), the leading Mercedes-Benz passenger car dealer in Malaysia. The commercial vehicles business is operated via Hap Seng Trucks Distribution Sdn Bhd (Hap Seng Trucks Distribution), the exclusive general distributor of Mercedes-Benz and FUSO commercial vehicles in Malaysia, uniquely offering a complete portfolio comprising light-duty to heavy-duty European and Japanese trucks; and Hap Seng Trucks Sdn Bhd (Hap Seng Trucks), an authorised dealer of Hap Seng Trucks Distribution.

Hap Seng Star consists of 10 Mercedes-Benz passenger car dealerships strategically located across the country – six in the Klang Valley and one each in Iskandar, Melaka, Kota Kinabalu and Kuching. In addition, Hap Seng Star operates two pre-owned centres in Kinrara and Balakong, with the former being the largest Mercedes-Benz certified pre-owned centre in Malaysia.

Hap Seng Trucks Distribution is headquartered in Kinrara where it handles the importation, assembly, wholesale distribution, after-sales support of Mercedes-Benz and FUSO commercial vehicles in Malaysia. Hap Seng Trucks operates 6 branches, one each in Prai, Ipoh, Klang, Johor Bahru, Kuching and Kota Kinabalu.

Revenue
RM1.38
billion

Operating Loss
RM65.0
million


AMG A 45 S Edition 1


FUSO
FM

AUTOMOTIVE DIVISION'S OPERATION NETWORK

MARKET CONDITION

In 2020, the Malaysian passenger car market was negatively impacted by the COVID-19 pandemic. The total industry volume (TIV) in the segment declined to 480,965 units (2019: 550,177), representing a TIV decrease of 69,212 units or 12.6% as compared to 2019. The COVID-19 pandemic disrupted the global supply chain which in turn contributed to production delays. This resulted in a shortage of supply in selected models for Malaysia. In addition, the various movement controls have somewhat dampened consumer sentiments.

The total registration of trucks and prime movers in 2020 declined by 22.2% to 11,540 units (2019: 14,841 units). Truck segment has experienced a decrease of 18.4% to 10,665 units (2019: 13,064 units), while FUSO registration was reduced by 11.0% to 1,638 units (2019: 1,841 units). Prime movers are the most affected market segment with a decrease of 50.8% to 875 units in 2020 (2019: 1,777 units), while Mercedes-Benz registration dropped to 39 units (2019: 501 units) due to late launch of the new Actros due to movement control and production delays.

MANAGEMENT STRATEGIES

In 2020, Hap Seng Star rationalised and consolidated its network operations and upgraded its dealerships and aftersales capabilities. This included the relocation of the existing KL Showroom to Menara Hap Seng 3 in July 2020. The KL showroom features the first-of-its-kind Mercedes-Benz Merchandise Boutique in Southeast Asia. The Puchong South interim outlet had been merged with the Kinrara Autohaus in September 2020 and the Miri branch was merged with the Kuching Autohaus in December 2020.

As part of its strategy to expand its product portfolio in Malaysia, Hap Seng Trucks Distribution has launched the much-anticipated brand-new fifth-generation Mercedes-Benz Actros (Actros 5) by Daimler Trucks Germany, which is equipped with market-leading innovation and technologies. This new Actros 5 is expected to optimize the overall total cost of ownership and offer the best in terms of comfort and safety.

Hap Seng Trucks Distribution continued with its network expansion strategy in 2020 to increase the territorial coverage and offer better customer experience for truck owners throughout Malaysia. Two new FUSO and Mercedes-Benz dealerships with 3S facilities have been established in Prai and Johor Bahru. They commenced operations in February and December 2020 respectively.

In 2020, Hap Seng Trucks, the authorised 3S dealer for Mercedes-Benz and FUSO trucks in Malaysia rationalised its operations with the merging of its Kinrara branch with the Klang branch.

OPERATIONAL PERFORMANCE

Hap Seng Star recorded lower sales of 3,904 units in 2020 (2019: 4,929 units), a 21% decrease over the previous year. This was mainly due to the adverse economic impact of the various movement controls. Hap Seng Star's aftersales operations recorded throughput of 59,062 (2019: 64,192), an 8% decrease over the previous year.

Overall, Hap Seng Star recorded a lower revenue of RM1.15 billion (2019: RM1.18 billion) and an operating loss of RM25.2 million (2019: operating loss of RM25.5 million).

Hap Seng Trucks Distribution recorded sales of 1,376 units (2019: 2,327 units), generating revenue of RM155.8 million (2019: RM348.6 million). It recorded an operating loss of RM23.2 million (2019: operating loss of RM8.0 million).

Hap Seng Trucks recorded sales of 536 units in 2020 (6 months in 2019: 443 units) with a revenue of RM127.3 million (6 months in 2019: RM107.5 million). It recorded an operating loss of RM16.5 million (6 months in 2019: operating loss of RM0.8 million).

In total, the division recorded a revenue net of intradivisional sales of RM1.38 billion (2019: RM1.49 billion) and an operating loss of RM65.0 million (2019: operating loss of RM34.4 million).

AWARDS AND RECOGNITION

The Dealer of the Year Awards Programme is a testament of MBM's efforts to reward dealerships for operational excellence and commitment to delivering the best customer experience. In 2020, Hap Seng Star emerged 1st and 2nd runners-up the Dealer of the Year Awards. In addition, Hap Seng Star dealerships clinched top positions in five out of the eight categories as indicated in the table below:

Award	Champion	1st Runner Up	2nd Runner Up
Dealer of The Year 2020	-	Kinrara	Setia Alam
Best in CSI 5 Star Rater	Bukit Tinggi	Kota Kinabalu	Kuching
Service Excellent Award (SEAward) 2020	Bukit Tinggi	Iskandar	Kota Kinabalu
2020 Mercedes-Benz 5 Star Rater Sales	Melaka	Kinrara	-
Best in Financial Services 2020	Kinrara	-	Setia Alam
Best in Sales 2020	-	-	Melaka
Best in Customer Services 2020 (Service & Parts)	-	-	Iskandar
Most Improved Dealer	Setia Alam	-	-

SHORT AND LONG-TERM GOALS

Hap Seng Star's short-term goal is to continue strengthening its dealership network with a focus on profitable growth and enhancing efficiency.

Online activities constitute an important aspect of Hap Seng Star's overall customer's buying experience. Hap Seng Star endeavours to intensify its online activities in order to reach out to a broader customer base.

Aftersales operations will continue to focus on customer satisfaction by introducing an enhanced express service. In addition, Mercedes Me connect and Mercedes Me adapter were also introduced, as online platforms for superior customers' experience through mobile devices.

As part of Hap Seng Star's effort to generate a continuous stream of highly qualified and competent technicians, it continues to sponsor students enrolled in the Advanced Modern Apprenticeship (AMA) programme. In addition, Hap Seng Star has established an in-house Technical and Vocational Education and Training (TVET) programme as part of its corporate social responsibility initiatives.

The division's long-term goal is to maintain its pole position in the Mercedes-Benz passenger car dealer network in Malaysia.

Hap Seng Trucks Distribution will continue to develop a strong commercial vehicle business in the country to drive future growth of Mercedes-Benz and FUSO commercial vehicles. This is to be achieved via a two-pronged approach. The first being the expansion of the product offering and the second being the enhancement of the service offering. Hap Seng Trucks Distribution will also leverage the power of social media marketing to enhance its brand presence to increase sales and market share.

Hap Seng Trucks will continue to develop a strong network with optimum coverage for better customer service experience. One of the immediate plans is to upskill the network and to further enhance the service offering.

OUTLOOK FOR 2021

The continued movement controls in the early part of 2021 and the proposed end of the sales tax exemption by end June 2021 will have a negative impact on the passenger car market. Therefore, the outlook remains challenging, although there were signs of economic recovery coupled with the positive market outlook from the rollout of the National COVID-19 Immunisation Programme in February 2021.

Hap Seng Star will continue with the upgrading of its network and aftersales capabilities in 2021 with the opening of a centralised Body and Paint Centre in Shah Alam at the end of the first quarter in 2021. In Klang Valley, two permanent Autohaus located in Setia Alam and Bukit Tinggi are scheduled to be completed by the fourth quarter of 2021 and the first quarter of 2022 respectively.

Hap Seng Trucks Distribution and Hap Seng Trucks will leverage on the newly launched Actros 5 to grow its market share in 2021.

TRADING

The Trading Division comprises the fertilizers trading operations, general trading operations and ceramic tiles operations.

Fertilizers Trading

The fertilizers trading operations supply a wide range of fertilizers to oil palm plantations in Malaysia and Indonesia that include muriate of potash (MOP), ammonium sulphate, rock phosphate, kieserite, ammonium chloride, fused magnesium phosphate (FMP) and other NPK fertilizers.

Fertilizers trading operates through Hap Seng Fertilizers Sdn Bhd (HSF) in Malaysia, PT Sasco Indonesia (PTSI) and MML (Shanghai) Trading Co., Ltd (MMLS). In 2020, MMLS took over the fertilizers trading operations from Sasco (China) Co. Ltd (SCC). These trading entities operate from 14 strategically located warehouses - eight in Malaysia and six in Indonesia. MMLS 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.

General trading operates under Hap Seng Trading (BM) Sdn Bhd and Hap Seng (Oil & Transport) Sdn Bhd, and services the construction, housing development and other infrastructure development industries through its network of six branches - four in Sabah, one in Johor and the main office in Kuala Lumpur.

Ceramic Tiles

Operating under Malaysian Mosaics Sdn Bhd (MMSB), the ceramic tiles operation trades and distributes ceramic tiles under the MML brand name.

Revenue
RM1.75
billion

Operating Loss
RM63.8
million


MURIATE OF
60% K2O
DIIMPOT OLEH :
HAP SENG FERTILIZERS
MENARA HAP SENG, KUA
MANUFACTURER :
CANPOTEX


MML
QUALITY. GUARANTEED.
HAFARY

MANAGEMENT DISCUSSION AND ANALYSIS

TRADING DIVISION'S OPERATION NETWORK

MARKET CONDITION

Fertilizers Trading

The COVID-19 pandemic impacted the production of the Malaysian palm oil industry in the first half of the year. With the enforcement of the various movement controls, plantation operations were disrupted. Coupled with labour shortages, demand for fertilizer in the first half of the year was dampened.

The fertilizer demand increased in the second half of 2020 with the recovery of CPO prices. This in turn drove fertilizer prices to be on an uptrend during the second half of the year.

General Trading
The severe disruption to the Malaysian economy brought by the COVID-19 pandemic has caused a sharp slowdown in Malaysia's construction sector, with a contraction of 19.4% in 2020 (2019: 0.1% growth). Activities in construction sites were suspended during the first movement control order (MCO) in 2020. Demand from the housing sector continued to be hampered by the supply overhang. Delays in the various infrastructure projects also contributed to the slowdown in the construction industry.

Ceramic Tiles
Likewise, the ceramic tile industry was similarly disrupted by the movement controls in 2020.

MANAGEMENT STRATEGIES

Fertilizers Trading
Fertilizers trading operates in a price-volatile environment, driven by international demand for fertilizers and CPO prices. The division will strive to maintain its market position while minimising its exposure to price volatilities by matching supply with demand.

General Trading
The general trading operations, being one of the major building materials suppliers in Malaysia, will focus on consolidating its various business segments as well as leveraging on the strength of the Group's synergies.

Ceramic Tiles
MMSB will actively manage its product portfolio, sourcing operations and prioritise service excellence, pursuant to its strategy to focus solely on OEM sourcing and distribution.

OPERATIONAL PERFORMANCE

Fertilizers Trading
The fertilizers trading operations recorded a 2% increase in sales volume to 1,421,000 tonnes (2019: 1,388,000 tonnes) as a result of improved fertilizer demand from the plantation industry in Malaysia and Indonesia during the second half of 2020. However, revenue was 12.1% lower at RM1.24 billion (2019: RM1.41 billion) due to lower fertilizer prices. Operating profit declined by 3.0% to RM33.7 million (2019: RM34.7 million).

Operations in Malaysia
The fertilizers trading operations maintained its position as a major fertilizer trader in Malaysia. HSF is the market leader in the East Malaysian fertilizers business segment and a major player in Peninsular Malaysia.

Although sales volume increased by 2% to 1,088,000 tonnes (2019: 1,065,000 tonnes), turnover declined by 11.6% to RM963.9 million (2019: RM1.09 billion) due to lower fertilizer prices. Consequently, operating profit was 1.0% lower at RM28.3 million (2019: RM28.6 million).

Operations in Indonesia

PTSI's sales volume increased by 3% to 333,000 tonnes (2019: 323,000 tonnes). Revenue decreased by 13.9% to RM275.1 million (2019: RM319.4 million) because of a reduction in sales of higher-cost fertilizers. Operating profit declined by 12.5% to RM5.3 million (2019: RM6.1 million) due to lower average gross margin.

General Trading

The general trading operations recorded a 55.9% decline in revenue to RM340.1 million (2019: RM770.9 million) and a 66.4% decline in operating profit to RM2.1 million (2019: RM6.3 million).

The decline in revenue and operating profit was due to management's decision to reduce exposure to the economic uncertainties and the overall weak demand for building materials caused by the COVID-19 pandemic.

Ceramic Tiles

In 2020, the segment recorded a revenue of RM180.4 million (2019: RM288.6 million) and an operating loss of RM99.6 million (2019: operating loss of RM15.4 million). The operating loss recorded by the segment during the financial year was primarily due to the lower revenue as a result of the adverse impact of the COVID-19 pandemic and impairment of manufacturing assets and inventory, arising from its strategic direction to discontinue manufacturing operations.

Overall, the division recorded a turnover (net of intradivisional sales) of RM1.75 billion (2019: RM2.45 billion) and an operating loss of RM63.8 million (2019: operating profit of RM25.6 million).

SHORT & LONG-TERM GOALS

Fertilizers Trading

Given the challenging operating environment, the fertilizers trading operations are focused on cost containment and resource optimization. Vigilance over effective inventory and trade receivables management remains its top priority.

Fertilizers trading strives to maintain its market leadership position in Malaysia, whilst continuing to grow its business in Indonesia. Continuous engagement with key customers and principal suppliers on the establishment of strategic partnerships is a core part of its market development strategy.

In the longer term, the division will expand its NPK production to add value to the wide range of raw materials which are readily available as common stock. This will broaden the market reach in areas where NPK market segment is expected to grow due to increasing concern on the shortage of plantation workers.

General Trading
The general trading operations' short-term goal is to maintain its position as a major building materials supplier while exercising stringent control to limit credit exposure and leverage on the strength of the Group's synergy.

For the longer term, the general trading operations aims to expand its market coverage by targeting new projects and distribution channels.

Ceramic Tiles
MMSB's short term goal is to strengthen its sourcing and distribution operations to ensure efficient delivery of quality products and services. In the longer term, MMSB hopes to broaden its brand presence in domestic projects and strengthen its foothold in existing key regions.

OUTLOOK FOR 2021

Fertilizers Trading
The beginning of 2021 saw strong demand for fertilizers by key global markets in line with higher fertilizers consumption during the coming spring planting season. The higher demand, coupled with the increase in freight cost, resulted in higher fertilizer prices. The strong CPO price also increases fertilizer demand in Malaysia, particularly from planters that has been limiting fertilizers application due to the earlier weak CPO prices.

The supply of nitrogenous, phosphorous and magnesium fertilizers are expected to be tight as China, a major producing country, has tightened their environmental controls over fertilizers production. The tight supply of fertilizers has caused fertilizer prices to soar.

In addition, the global acute shortages of containers in shipping lines have increased logistics costs drastically. This situation is expected to prevail throughout 2021.

General Trading
GDP is forecasted to grow between 6.5% to 7.5% in 2021. The construction sector in Malaysia is expected to recover in 2021 with a forecasted growth of 13.9%.

Government projects awards are expected to pick up as the economy slowly recovers. Strategic mega projects, construction of affordable homes and ongoing infrastructure projects are expected to be accelerated. These increased construction activities should augment growth opportunities for the general trading operations.

Ceramic Tiles
Likewise, the pick up in construction activities is expected to benefit the ceramic tile industry.

BUILDING MATERIALS

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

Quarry, Asphalt and Bricks

This operation engages in quarrying activities in both Peninsular Malaysia and Sabah with an approximate total capacity of 6.8 million tonnes per annum. The quarry operations are complemented by two asphalt plants which provide downstream production and sales of premix for road surfacing. The quarry and asphalt products are sold mainly to the Malaysian infrastructure and construction industry.

The clay brick manufacturing operates from one factory in Sabah with a monthly production capacity of approximately 3.5 million common clay bricks. The bricks are sold to building materials traders and contractors in the local market.

Singapore Trading

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

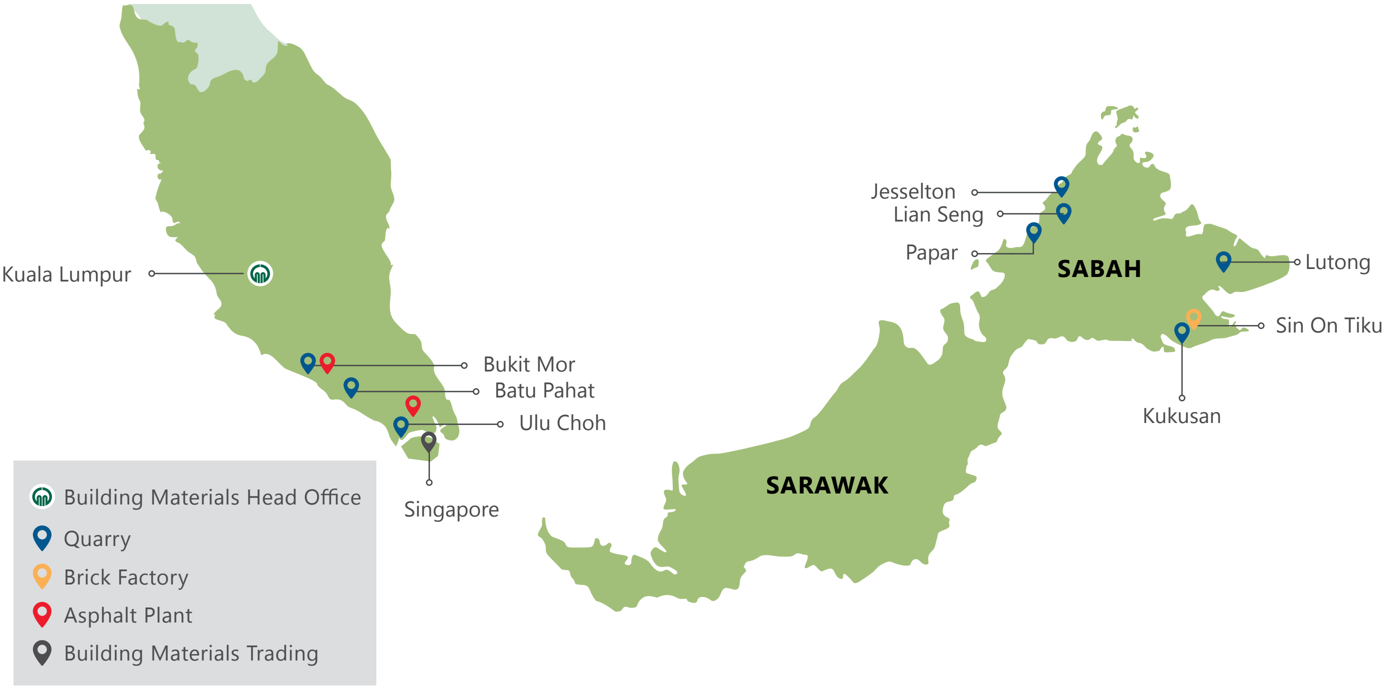
Hafary also has presence in China, Myanmar and Vietnam.

Revenue
RM404.2
million

Operating Loss
RM33.7
million


MML
QUALITY. GUARANTEED.
HAFARY

BUILDING MATERIALS DIVISION'S OPERATION NETWORK



MARKET CONDITION

The Malaysian construction sector contracted by 19.4% in 2020 (2019: 0.1%). The contraction was caused by the various movement controls which restricted activities in order to curb the spread of the COVID-19 pandemic.

In Singapore, the economy contracted by 5.4% in 2020 (2019: 0.7%). The construction shrank by 35.9% (2019: 2.5%) due to weaker public and private sector construction works. This is due to the circuit breaker implemented in Singapore to battle the COVID-19 pandemic which halted construction activities.

MANAGEMENT STRATEGIES

Quarry, Asphalt and Brick
Faced with the challenges posed by the continuing COVID-19 pandemic, the operation's strategies include focusing on productivity and efficiency enhancements, various cost containment initiatives, and leveraging on the strength of the Group's synergies.

Singapore Trading
Hafary aims to strengthen its position as the leading surfacing materials supplier in Singapore by increasing its market penetration and by emphasising on strengthening its customer service offerings. It will continue to grow its regional presence in China, Myanmar and Vietnam. Hafary also plans to strengthen its online marketing presence, utilizing social media and online meeting platforms to better engage and grow its customer base.

OPERATIONAL PERFORMANCE

In 2020, the division recorded a revenue of RM404.2 million (2019: RM591.8 million) and an operating loss of RM33.7 million (2019: operating profit of RM37.5 million).

The quarry, asphalt and brick operations recorded a decline in revenue to RM158.5 million (2019: RM272.6 million) mainly due to the adverse impact of the COVID-19 pandemic on the economy. Hafary also registered a decline in revenue to RM245.7 million (2019: RM319.2 million) due to the COVID-19 pandemic.

The quarry, asphalt and brick operations recorded an operating loss of RM56.8 million (2019: operating profit of RM1.3 million). In addition to the impact of the COVID-19 pandemic, the operating loss was compounded by non-recurring expenses which include property, plant and equipment impairment losses as well as inventory write-down related to the restructuring of the business and closures of non-viable operations, which includes 3 brick factories. Hafary recorded an operating profit of RM23.1 million (2019: RM36.2 million).

SHORT AND LONG-TERM GOALS

Quarry, Asphalt and Brick
The operation's short-term goal is to optimise its production capacities, exercising stringent cost containment and leveraging on the strength of the Group's synergies. In the longer term, the operation aims to further strengthen its position in Sabah.

Singapore Trading
Hafary's short-term goals are to grow sales volume, improve operating profits and enhance market leadership. It will further utilize online marketing initiatives, such as virtual showroom tours, online product videos via Youtube and Facebook platforms. In addition, Hafary will continue showcasing the practicality and beauty of its surfacing materials at IKEA outlets in realistic mock-ups of various spaces in a home.

In the longer term, Hafary will continue to build up on its current product competencies and explore overseas opportunities.

OUTLOOK FOR 2021

The Malaysian GDP is anticipated to grow between 6.5% to 7.5% in 2021. The construction sector is projected to rebound by 13.9%.

In Singapore, the GDP is expected to grow between 4% to 6% in 2021, to be supported by the growing trade and manufacturing sectors as well as the gradual recovery in the construction, aviation and tourism related sectors. The GDP is expected to return to pre-COVID levels towards the end of 2021. The construction demand for 2021 as forecasted by the Building and Construction Authority Singapore is anticipated to be between S$23 billion and S$28 billion, with 65% to be contributed by the public sector.

ANTICIPATED OR KNOWN RISK

The Group has taken a proactive approach to properly manage and mitigate the risks and challenges it faces across its diversified businesses. With the overall aim of creating sustainable value for our shareholders, the Group will continue to improve operating efficiencies to mitigate financial risks and be vigilant of operational risks while leveraging on its synergies.

The Group has implemented the various COVID-19 SOPs imposed by the Malaysian government to ensure a safe and healthy workplace to the employees. These includes providing staff with the necessary PPE, conducting swab tests for workers, implementing and enforcing social distancing protocol in all the Group's premises. A quarantine centre has also been setup at the plantation estates. The Group has adopted different business strategies and working arrangements so that it can operate with minimal business disruptions during the COVID-19 pandemic.

Plantation Workers Quarter

The plantation division is expected to face pressure from the rising cost of production and labour shortage. To mitigate these, reviews will be carried out regularly on the feasibility to mechanize certain works with a view of reducing cost and labour dependency. In the meantime, Plantation Management reviews workers' wages quarterly to ensure that they are paid at a competitive market rate to improve the workers' retention rate. The Group has so far been able to attract workers to work in its plantation because of its investments in amenities such as conducive modern living quarters, Humana schools, clinics, childcare centres and recreational facilities. review will be carried out regularly on the feasibility to mechanize certain works with objective to reduce the cost and labour dependency. In the meantime, Plantation Management reviews workers' wages quarterly to ensure that they are paid at a competitive market rate to improve the workers retention rate. The Group has so far been able to attract workers to work in its plantation because of its investments in amenities such as conducive modern living quarters, Humana schools, clinics, childcare centres and recreational facilities.

The production level may be affected by the combination of unfavourable weather conditions and MCO as the palm oil planting, harvesting, processing and transportation activities may be disrupted. In order to minimise the flood risk and impact, the division has conducted desilting programmes to clear the water-way, levelling the road level at the flood-prone areas and transporting the production using barges.

In order to allay theft and security risks, the plantation division will continue to implement various security measures, including deploying drones for theft and security surveillance around the plantation boundaries, the planned setting up of auxiliary police at the estates and working closely with related government agencies and partners to safeguard its plantations as well as providing a secure working environment for its employees.

The property investment and development division expects the property market sentiment to remain soft in 2021. The property development arm continues to intensify its sales and marketing activities to boost sales such as introducing customer referrals program, loyalty program and participating in Home Ownership Campaign, Rumah Selangorku program introduced by the Malaysian government. The property development arm also embarked on online marketing such as 360 degrees virtual tours of the properties and various online sales events such as Facebook live talks and joint property webinar with property specialists and agents. The property investment arm will increase its leasing efforts to retain existing tenants and to attract new tenants.

The credit financing division expects a competitive financing landscape and higher risk for non-performing loans in 2021, particularly from borrowers in sectors most affected by the COVID-19 pandemic such as bus transportation and tourism industry. The government has introduced the Bus and Taxi Hire Purchase Rehabilitation Scheme to assist borrowers in these industries, thereby mitigating the risk in these sectors.

The automotive division expects a supply shortage of certain passenger car and truck models due to the worldwide shortage of key electronic components. In general, both the passenger car and commercial vehicle operations will continue to offer attractive sales and aftersales packages focussing on service excellence to increase its market shares. In order to better reach the customers during the movement controls, the division will utilise social media platforms to engage potential customers.

The trading division anticipates 2021 to be a challenging year. The fertilizers trading operations face significant pricing risks due to increasing fertilizer prices, shortages in fertilizer supply and disruption in the supply chain. In mitigation, the fertilizers trading operations will continue to take steps to optimise stock holding and matching stock orders with committed sales to minimise the pricing risk. The general trading operations will focus on consolidating its existing customer base and market coverage. MMSB will focus on tiles trading by growing its OEM sales.

The Malaysian building materials operations are for the most part relying on the timely implementation of the various mega infrastructure projects, such as the Pan Borneo Highway. Delay in such implementations will weigh on the performance of the sector.

Pursuant to the latest Bursa Malaysia's Main Market Listing Requirements and S.17A Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Group is committed to anti-corruption and bribery initiatives and will continue to implement adequate procedures to mitigate corruption risks for the Group.

MOVING FORWARD

For 2021, the global economy is expected to gradually recover mainly dependent on the developments surrounding the COVID-19 pandemic, in particular the rollout of vaccines.

Malaysia's GDP is projected to grow between 6.0% and 7.5%, supported by the recovery in global demand and the gradual improvement in domestic economic activity. This is however highly influenced by the extent and duration of the COVID-19 containment measures and the effectiveness of the vaccine rollout.

Private and public consumption are expected to grow by 8.0% and 4.4% respectively, backed by the improving economic conditions and consumer sentiments; and the government's continuous spending on COVID-19 related expenditure, particularly for vaccine procurement and logistic costs.

Private and public investment are also expected to grow by 5.4% and 15.2% respectively. This is supported by the resumption of ongoing large projects especially in the civil engineering sub sector, continued investments in the manufacturing sector and the further progress of large-scale infrastructure projects such as East Coast Rail Link, MRT2 and Pan Borneo Highway.

Malaysia's export is expected to grow by 8.2%, primarily driven by the improvement in external demand from key export partners such as US and China. Malaysia's exports will also benefit from global demand for electrical and electronic products, and higher commodity prices and production. Gross import is projected to grow by 9.1% driven mainly by a turnaround in intermediate imports, in line with the higher manufactured exports. Capital import growth is also expected to grow mainly due to higher investment in the manufacturing sector as well as the implementation of large-scale infrastructure projects.

The local labour market is expected to gradually improve inline with the recovering economy. The government has put in place policy measures and assistance packages such as PERMAI and PEMERKASA. These includes the Bantuan Prihatin Nasional, Bantuan Prihatin Rakyat and Bantuan Kehilangan Pendapatan cash transfers, the Employee Provident Fund i-Sinar and i-Lestari cash withdrawals, and the Targeted Loan Repayment Assistance. Various tax relief and incentives will also encourage overall consumer spending. Special grants, wage subsidies and the Targeted Relief and Recovery Facility have also been introduced to assist the businesses community, particularly those in the service sector.

For the Malaysian plantation industry, the weather issue and exports are two key factors that could affect its outlook. Heavy rainfall and flooding have already caused temporary supply disruption in the first quarter of 2021. However, it could also lead to a bumper harvest of palm oil in the second half of 2021 due to improving pasture and yields. The government anticipates the demand for CPO to rebound following improvement in demand from China and India.

CPO price is also projected to remain stable with higher demand following recovery in the hotel, restaurant and catering operations as well as higher biodiesel mandate in Indonesia and Malaysia. The division will continue to focus on cost optimization to improve profitability in 2021.

The property industry, comprises primarily residential, commercial and industrial, for 2021 is likely to be supported by the economic recovery. Measures such as the Home Ownership Campaign and an accommodative monetary environment is likely to support the residential property market. The division will continue to focus on the affordable residential property segment, particularly in Sabah.

Credit financing activities are expected to be affected by the slower economic recovery in 2021 resulting from the MCO. The division continues with its prudent lending policy, focusing on maintaining a stable and quality loan receivable portfolio while increasing its emphasis on credit control and debt collection.

The automotive industry is recovering from the effects of the COVID-19 pandemic. The TIV is expected to increase by 8%, with passenger vehicle and commercial vehicle TIV contributing a growth of 7% and 18% respectively. This growth is supported by the expected economic recovery, the sales tax exemption incentive in the first half of 2021 and the low interest rate environment. The division will continue to strengthen its network and build on its new product offerings to better serve the customers.

The fertilizer industry expects to see stronger demand and price increase in 2021 as a result of higher commodity prices and disruption in the supply chain due to shortages of containers and vessels. The division's fertilizer trading operation expects to see a higher sales volume despite the supply chain challenges.

The construction sector in Malaysia is expected to recover in 2021, supported by the anticipated economic recovery as the global COVID-19 vaccination efforts take effect. Following this recovery, strategic mega projects such as the Pan Borneo Highway and ongoing infrastructure projects are anticipated to be accelerated. The demand for building materials is expected to improve following the relaxation of the movement controls in 2021. The recovery pace is likely to be slow given that the overall manufacturing and construction activities are negatively affected by labour constraints and movement control measures. The general trading operations and the building material division will continue to cautiously grow market share, while continuing to exercise prudent credit control.

There are however uncertainties in the anticipated growth rebound in 2021. It is likely that in the medium term, the Malaysian economic output will only gradually return to its pre-pandemic levels. Prolonged and ineffective containment of the third wave of outbreak in Malaysia could see the current CMCO in high-risk areas be extended and the number of vulnerable households without adequate support remain elevated.

In the near term, containing the current wave of the COVID-19 pandemic remains vital to ensure a safe resumption of economic activity and to prevent a more protracted downturn.

ACKNOWLEDGEMENT

The Company would like to express its gratitude and thanks to its board of directors and shareholders for their confidence and support. The Company would like to warmly welcome Mr Wong Yoke Nyen, who joined the board as an independent non-executive director on 1 January 2021.

The Company would also like to thank the management and staff for their significant contributions over the years and further acknowledges the support given to the Group from its bankers, business partners, clients, customers and suppliers as we continue to create value for all stakeholders.

BOARD OF DIRECTORS

1 CHEAH YEE LENG
Executive Director

2 DATUK EDWARD LEE MING FOO, JP
Managing Director

3 THOMAS KARL RAPP
Independent Non-Executive Chairman

4 LEE WEE YONG
Executive Director

Sitting from left to right

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

6 DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH
Independent Non-Executive Director

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

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

9 TAN BOON PENG
Independent Non-Executive Director

10 WONG YOKE NYEN
Independent Non-Executive Director

Standing from left to right

DIRECTORS' PROFILE

THOMAS KARL RAPP

Independent Non-Executive Chairman

Thomas Karl Rapp, male, a German, aged 64, is the independent non-executive chairman of Hap Seng Consolidated Berhad. He was appointed to the Board as an independent non-executive chairman on 26 February 2020. He is also a member of the Audit Committee and Nominating Committee and the chairman of the Remuneration Committee.

Mr. Thomas Karl Rapp joined Hap Seng Consolidated Berhad (HSCB) Group on 1 July 2006 as the executive chairman of the property holding and development division. He then became the CEO and chairman of Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) (MMSB) from 1 February 2007 to 1 December 2008.

Prior to him joining HSCB Group and MMSB, Mr. Thomas Karl Rapp had held various senior positions within the worldwide Mercedes-Benz Group from 1986 to 2006 in Europe and South East Asia. He was the general director of Mercedes-Benz Vietnam Ltd in Ho Chi Minh City and chief representative of Daimler in Hanoi / Vietnam from 2002 to 2006.

Since 2009 Mr. Thomas Karl Rapp is the managing director of TKR Consulting Sdn Bhd.

Mr. Thomas Karl Rapp graduated with a Degree in Business Economics from Chamber of Commerce Stuttgart, Germany.

Mr. Thomas Karl Rapp 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 2020.

He attended all the 5 board meetings held subsequent to his appointment to the Board on 26 February 2020 during the financial year ended 31 December 2020.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 66, 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 2020.

He attended all the 6 board meetings held during the financial year ended 31 December 2020.

LEE WEE YONG

Executive Director

Lee Wee Yong, male, a Malaysian, aged 73, 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 as 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 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 2020.

He attended all the 6 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 52, 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 2020.

She attended all the 6 board meetings held during the financial year ended 31 December 2020.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 64, 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 2020.

He attended all the 6 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

LT GEN (R) DATUK ABDUL AZIZ BIN HASAN

Independent Non-Executive Director

Lt Gen (R) Datuk Abdul Aziz Bin Hasan, male, a Malaysian, aged 75, 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). 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 2020.

He attended all the 6 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 71, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 4 March 2016. He is also the chairman of the Audit Committee and a member of the 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 on the Singapore Exchange Securities Trading Limited as well as an independent non-executive director of Canadia Bank PLC, Sovannaphum Life Assurance PLC and Dara Insurance 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 2020.

He attended all the 6 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, male, a Malaysian, aged 55, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 23 November 2017. He is also the chairman of the Nominating Committee.

In addition, Dato' Wan Mohd Fadzmi is an independent non-executive director of Sumitomo Mitsui Banking Corporation Malaysia Berhad and Bank Pembangunan 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 a Chartered Banker (Asian Institute of Chartered Bankers) and a Fellow of Institute of Corporate Directors Malaysia.

Dato' Wan Mohd Fadzmi has extensive experience in domestic and international banking. During his 22 years 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 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 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 2020.

He attended all the 6 board meetings held during the financial year ended 31 December 2020.

TAN BOON PENG

Independent Non-Executive Director

Tan Boon Peng, male, a Malaysian, aged 54, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 26 February 2020.

Mr. Tan was formerly the Regional Head of Equity Capital Markets at the CIMB Group where he had held various positions over a span of more than 13 years until 2016. Mr. Tan was a Sime Darby Scholar and began his professional career as a factory manager/engineer with the Sime Darby Group before venturing into financial services. He was an equity research analyst, over time holding various positions at several Malaysian and international stockbroking institutions including being Head of Research; and thereafter joined the CIMB Group.

Currently, Mr. Tan is an independent non-executive director of CapitaLand Malaysia Mall REIT Management Sdn Bhd which manages CapitaLand Malaysia Mall Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Tan graduated with a Master of Arts and Bachelor of Arts (Hons) in Engineering from the University of Cambridge, United Kingdom.

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 2020.

He attended all the 5 board meetings held subsequent to his appointment to the Board on 26 February 2020 during the financial year ended 31 December 2020.

Wong Yoke Nyen, male, a Malaysian, aged 62, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 January 2021.

Mr. Wong is the independent non-executive chairman of Benalec Holdings Berhad, as well as an independent non-executive director of New Hoong Fatt Holdings Berhad, Focus Lumber Berhad, Sentoria Group Berhad and Export-Import Bank of Malaysia Berhad.

Mr. Wong started his career in Baker Rooke, a firm of Chartered Accountants in London, United Kingdom in 1981, where he gained wide experience and exposure in the areas of auditing, accountancy and management consultancy work. He joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) in 1983 and his last position in Aseambankers Malaysia Berhad was executive vice president cum head of corporate finance division. He is a seasoned investment banker with more than 30 years of dedicated corporate finance and investment banking experience. He was an honorary advisor to the Master Builders Association Malaysia from July 2008 to June 2010.

Mr. Wong started WYNCORP Advisory Sdn Bhd (WYNCORP) in 2004, a private company licensed to provide corporate finance advisory services. Currently, Mr. Wong is the managing director of WYNCORP.

Mr. Wong holds a Bachelor of Arts with Second Class Honours Degree (First Division) from City of London Polytechnic (now known as London Metropolitan University), United Kingdom. He attended the Advance Management Program at The Wharton Business School, University of Pennsylvania, USA.

Mr. Wong 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 2020.

He did not attend any board meetings held during the financial year ended 31 December 2020 as he was appointed to the board subsequent to the financial year end.

SENIOR MANAGEMENT TEAM

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

2 **CHEAH YEE LENG**
Director of Corporate Affair & Group Legal Counsel

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

4 **LEE WEE YONG**
Group Finance Director

5 **CHONG CHEE WOOI**
Deputy Group Finance Director

Sitting from left to right

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

7 **VOON THAU VUI**
Chief Executive
TRADING DIVISION

8 **KHOR SOO BENG**
Chief Operating Officer
PROPERTY INVESTMENT & DEVELOPMENT DIVISION

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

10 **AU SIEW LOON**
Chief Financial Officer

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

12 **YONG TEAK JAN@ YONG TECK JAN**
Chief Operating Officer
BUILDING MATERIALS / GENERAL TRADING BUSINESS

Standing from left to right

SENIOR MANAGEMENT TEAM'S PROFILE

1 HARALD UWE BEHREND

Group Chief Operating Officer & Chief Executive - Automotive Division

Harald Uwe Behrend, male, a German, aged 60, 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 2020.

2 CHONG CHEE WOOI

Deputy Group Finance Director

Chong Chee Wooi, male, a Malaysian, aged 49, is the deputy group finance director of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 30 May 2019.

Mr. Chong was attached to the Lei Shing Hong Ltd Group of Companies (LSH Group) for 11 years where he held various senior positions in the automotive, credit and property businesses. His last position in LSH Group was as the group financial controller of Lei Shing Hong Properties Co. Ltd based in Hong Kong. Prior to him joining the LSH Group, Mr. Chong had held various senior finance and management positions in companies spanning pharmaceutical, petrochemical and specialty chemical industries covering the Asia Pacific region for 15 years.

Mr. Chong holds a Bachelor of Commerce Degree majoring in Accounting from University of Newcastle, New South Wales, Australia. He is a Fellow member of the Institute of Singapore Chartered Accountants and a member of the Malaysian Institute of Accountants.

Mr. Chong 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 2020.

3 AU SIEW LOON

Chief Financial Officer

Au Siew Loon, male, a Malaysian, aged 60, 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 2020.

4 AU YONG SIEW FAH

Chief Executive - Plantation Division

Au Yong Siew Fah, male, a Malaysian, aged 70, 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 after attending the Royal Military College. He has more than 51 years of extensive experience in all aspects of management of large plantations for major crops such as oil palm, rubber, cocoa and coconuts, 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 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 2020.

5 PUAN CHEN KECK

Chief Executive - Credit Financing Division

Puan Chen Keck, male, a Malaysian, aged 63, 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 11,000 HSCB shares and 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 2020.

6 VOON THAU VUI

Chief Executive - Trading Division

Voon Thau Vui, male, a Malaysian, aged 57, is the chief executive of the trading division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 1 September 2013.

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

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

Mr. Voon does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

7 KHOR SOO BENG

Chief Operating Officer - Property Investment & Development Division

Khor Soo Beng, male, a Malaysian, aged 58, is the chief operating officer of the property investment & development division 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 2020.

8 YONG TEAK JAN @ YONG TECK JAN

Chief Operating Officer - Building Materials / General Trading Business

Yong Teak Jan @ Yong Teck Jan, male, a Malaysian, aged 50, is the chief operating officer of building materials – general trading 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. Currently, he is also the chief operating officer of Malaysian Mosaics Sdn Bhd, which trades and distributes ceramic tiles under the "MML" brand name, one of Malaysia's leading brands in ceramic tiles with more than five decades in the market. Mr. Yong has more than 25 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 relevant regulatory bodies during the financial year ended 31 December 2020.

SENIOR MANAGEMENT TEAM'S PROFILE

9 ANDREW TALLING

Chief Operating Officer - Quarry, Asphalt and Bricks Business

Andrew Talling, male, British, aged 57, 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 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This corporate governance overview statement ("CG Statement") of Hap Seng Consolidated Berhad ("HSCB" or the "Company" and "Group" refers to HSCB's group of companies) is prepared pursuant to paragraph 15.25(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LRs" and "Bursa Securities"), with guidance being drawn from Practice Note 9 of LRs and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities.

The CG Statement is supplemented by a corporate governance report ("CG Report") prepared in accordance with the prescribed format of paragraph 15.25(2) of the LRs. The CG Report is to provide a detailed articulation on the extent to which the Company has complied with the corporate governance practices set out in the Malaysian Code on Corporate Governance ("MCCG"). The CG Report is available on the Company's website, www.hapseng.com as well as 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 Audit, Nominating and Remuneration 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 ("Board") is committed to ensure that the Company remains strong, viable and sustainable to deliver value to both 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, the stakeholders and the Company; and
- embed sound corporate governance practices into the Company's broader responsibility to shareholders, customers and the communities in which it operates.

For this purpose, the Board strives to promote meaningful and thoughtful application of good corporate governance practices. Recognizing that improving corporate governance practices is a dynamic and evolving process, the Company will continue to enhance accountability, objectivity and transparency in its operations.

Summary of Corporate Governance Practices

During the financial year ended 31 December 2020, the Company has applied all the practices encapsulated in MCCG ("MCCG Practices") except the following:

- Practice 4.5 (Board to comprise 30% women directors);
- Practice 4.6 (Sourcing of candidates for directorships using independent sources);
- Practice 5.1 (The board engages independent experts periodically to facilitate objective and candid board evaluations);
- Practice 7.2 (Disclosure of the top five senior management's remuneration on a named basis); and
- Practice 11.2 (Adoption of integrated reporting for large companies)

In areas of non-compliance, the Company has set out explanations and alternative measures to achieve the intended outcome as well as timeframe for adoption. Details on the Company's application of the MCCG Practices are to be found in the CG Report.

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 Group, including the commitment to sustainability, in the best interest of the Company.

The Board has established three board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively the "Board Committees"), with clear terms of reference. By engaging closely and actively with the Board, the Board Committees are able to effectively assist the Board in the discharging of its oversight function.

AC	NC	RC
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 Group's overall risk management system.	The NC is responsible to recommend candidates to be appointed to the Board and Board Committees, annually evaluate performance of the Board and the Board Committees as well as to develop succession plans for directors of the Company.	The RC is to set out the Group's remuneration policy, and to make remuneration recommendations for executive directors and senior management.

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 Group, including business plan, annual budget, financial results, risk management status report and sustainability report. Meeting attendance of Board members and members of the various Board Committees during the financial year ended 31 December 2020 is as follows:

Director	Board	AC	RC	NC
Thomas Karl Rapp[1 & 2]	5/5*	4/4^	2/2	1/1#
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	6/6			
Leow Ming Fong @ Leow Min Fong	6/6	5/5	2/2	
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	6/6			2/2
Datuk Simon Shim Kong Yip, JP	6/6	5/5	2/2	2/2
Tan Boon Peng[3]	5/5*			
Datuk Edward Lee Ming Foo, JP	6/6			
Lee Wee Yong	6/6			
Cheah Yee Leng	6/6			
Wong Yoke Nyen[4]	-	-	-	-
Dato' Jorgen Bornhoft[5]	1/1	1/1	-	1/1

[1] *Appointed as chairman of the Board w.e.f. 26 February 2020.*
[2] *Appointed as chairman of RC and a member of AC & NC w.e.f. 26 February 2020.*
[3] *Appointed to the Board w.e.f. 26 February 2020.*
[4] *Appointed to the Board w.e.f. 1 January 2021.*
[5] *Resigned on 26 February 2020.*
* *There were five meetings held subsequent to his appointment.*
^ *There were four meetings held subsequent to his appointment.*
\# *There was one meeting held subsequent to his appointment.*

Board/Board Committee Chairman
Member

There is a clear demarcation of responsibilities between Board and management of the Group ("Management"). While the Board directs and governs the 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 operations of the Group, 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 their members, including matters that are solely reserved for the Board's decision ("Board Charter"). The Board Charter is periodically reviewed by the Board to ensure it reflects Group's evolving needs. The Board Charter is available on the Company's website.

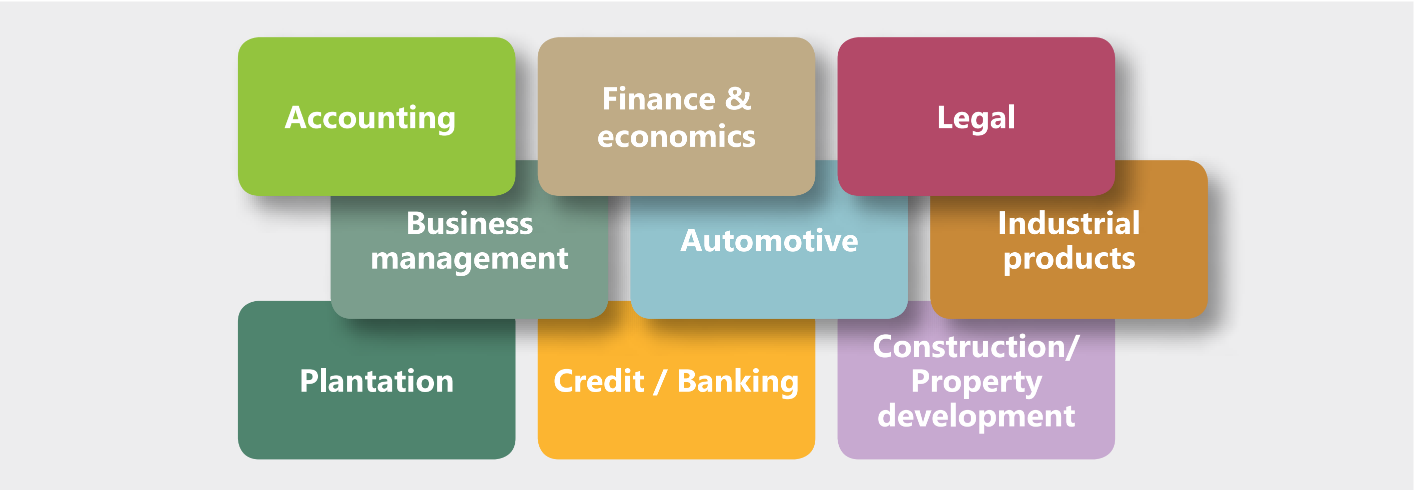
In discharging its responsibilities, the Board is assisted by a qualified and competent company secretary who acts as a counsel on corporate governance matters. The Management always provides directors with adequate and timely information prior to meetings to enable them to make informed decisions.

A code of conduct and whistleblowing policy has been put in place to foster an ethical culture and allow legitimate concerns to be raised in confidence without the risk of reprisal ("said Code"). The said Code is reviewed periodically by the Board and published on the Company's website.

Board Composition

Recognizing that the Group is diversified with six core and synergistic 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 diversified businesses. The Board undertakes a periodic review of its composition to ensure that all skill gaps are filled and to identify areas of weakness for improvement.

The directors strive to harness their 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.



The Board is currently made up of six 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 the 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 to ensure that the same has not reduced impartiality or resulted in lack of fresh insights.

Composition of the various Board Committees is in compliance with the independence criteria outlined in both the LRs and the MCCG. There is also an appropriate cross-memberships to further promote effectiveness.

Board appointments 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. The Board is continuing with their initiatives to improve women representation on the Board by broadening its sourcing and nomination process. The Group 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 annually undertakes an assessment of the effectiveness of both the Board and the Board Committees as well as the individual directors in a formal process. Such findings would be utilized as the bases for the Board's development needs and in making governance changes.

Remuneration

The Board ensures that a fair level of remuneration is imperative 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.

During the year the AC held two separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed the AC 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 AC.

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 as well as corporate liability as set out under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Amendment Act 2018"). The risk management committee of the Group ("RMC") assumes the risk management responsibility, 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 RMC while the chief executives or the business heads 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 ("IA") which is independent of the activities or operations of other operating units in the Group. The IA provides the AC and the Board with assurance regarding the adequacy and integrity of the system of internal control. The IA 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. To discharge its functions independently and effectively, the IA has unfettered access to the Group's records, properties and personnel and most importantly, a direct reporting line to the AC.

The Company has undertaken a group-wide integrity program with the view to instill the value and culture of good corporate behavior among its employees. As part of the said program, the Group has implemented its anti-bribery and corruption policy ("ABC Policy") with which various adequate procedures were introduced pursuant to section 17A of the MACC Amendment Act. This ABC policy, which is available on the Company's website, is to deter and prevent acts of bribery and corruption among employees of and third parties dealing with the Group.

Communication with Stakeholders

The Board believes in apprising the Company's stakeholders of all material business events in a timely manner. In this connection, the Board ensures timely announcements of all material transactions to Bursa Securities, which are also made available on 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, as well as the commercial sensitivity of certain information.

Conduct of General Meetings

At each general meeting of the Company, chairman of the Board will facilitate a robust engagement with shareholders and/or their proxies, with participation by all the directors. The Board endeavours to answer all questions relating to the Company's financial and operational performance.

At each annual general meeting, 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.

28 Days

As recommended by MCCG, the notice to the upcoming AGM alongside relevant accompanying materials have been provided at least 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 2020 are as follows:

Independence of the Board and Board Committees

During the year, the Board welcomed Mr. Thomas Karl Rapp as the independent non-executive chairman following the resignation of Dato' Jorgen Bornhoft on 26 February 2020. On the same day, Mr. Tan Boon Peng was also appointed to the Board as an independent non-executive director.

In 1 January 2021, the Board appointed Mr. Wong Yoke Nyen as an independent non-executive director of the Company, with which more than 50% of the members of the Board were independent. The Company is therefore in compliance with Practice 4.1 of MCCG that the board comprising of a majority of independent directors which allows for more effective oversight of management.

None of the independent directors of the Company have held the position for a term exceeding nine years.

Review of Board and Board Committees' Policies and Procedures

The Board reviewed its Board Charter alongside the terms of reference for each of the Board Committees. The information was up-to-date with 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.

Annual General Meeting

As part of its commitment to adhere strictly to the social distancing rules introduced to combat the COVID-19 pandemic, the Company held its AGM on 2 July 2020 ("44th AGM") by way of a fully virtual meeting with the broadcast venue at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur. Pursuant to clause 77 of the Company's constitution, general meetings may be held at more than one venue using any technology that enables the members to participate and to exercise the members' rights to speak and vote at the meeting.

Shareholders who participated virtually in the 44th AGM submitted their questions via the virtual meeting portal for response prior to remote voting. In accordance with paragraph 8.29A(1) of LRs , all resolutions had been carried out by poll voting, which votes were validated by GovernAce Advisory & Solutions Sdn Bhd, the appointed independent scrutineer.

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 and the like. Site visits were also arranged, as necessary, for directors to gain first-hand views on the Company's operations.

Training programmes attended to by the Board members during the financial year ended 31 December 2020 are outlined below:

Name	Programme Title	Date
Thomas Karl Rapp	Macro Updates Green Shoots	26 August 2020
	Demystifying the Future of Work	30 September 2020
	Webinar on Transforming Business Performance through Digitalization	21 October 2020
Datuk Edward Lee Ming Foo, JP	Healthcare Crisis. Global Recession. How will business change? What next for COVID-19?	13 April 2020
	Dialogue with Finance Minister of Malaysia: Fiscal Priorities and Policy Response under a COVID-19 Economic Landscape	3 June 2020
	Banking on Governance, Insuring Sustainability	4 August 2020
	Macro Updates Green Shoots	26 August 2020
	Demystifying the Future of Work	30 September 2020
	FTSE4Good Bursa Malaysia Index	8 October 2020
Lee Wee Yong	Healthcare Crisis. Global Recession. How will business change? What next for COVID-19?	13 April 2020
	Macro Updates Green Shoots	26 August 2020
	KPMG Tax and Business Summit	18 & 19 November 2020
Cheah Yee Leng	Thematic Workshop on Corporate Liability Provision	16 July 2020
	IRB's audit on directors: Do they know more than you?	24 August 2020
	Macro Updates Green Shoots	26 August 2020
	Section 117 Capital Reduction	14 September 2020
	Companies Act 2016. Transactions by Directors	28 September 2020
	Allowed Financial Assistance to Directors and other parties	30 September 2020
	Demystifying the Future of Work	30 September 2020
	Technical Briefing for Company Secretaries of Listed Issuers 2020	12 October 2020
Datuk Simon Shim Kong Yip, JP	IRB's audit on directors: Do they know more than you?	24 August 2020
	Macro Updates Green Shoots	26 August 2020

Name	Programme Title	Date
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	Leveraging Microsoft Teams for Executive Leadership & Board Meetings	5 June 2020
	Webinar on Virtual Board Meetings: In an Era of Social Distancing Boards	26 June 2020
	MIRA Sustainability Accelerator Program	23 July 2020
	Banking on Governance, Insuring Sustainability	4 August 2020
	Macro Updates Green Shoots	26 August 2020
Leow Ming Fong @ Leow Min Fong	MIA Webinar Series: Preference Shares - Law & Practice	22 July 2020
	MIA Webinar Series: Big Data Analytics and Business Intelligence for Accountants and Finance Professionals	23 July 2020
	MIA Webinar Series: Cloud ERP for Efficiency and Business Sustainability	12 August 2020
	Macro Updates Green Shoots	26 August 2020
	Unclaimed Money Act 1965	10 September 2020
	Data Analytic for Internal Auditors	29 & 30 September 2020
	MIA Webinar Series- Financial Masterclass: Capital Market 2.0 - How Blockchain, Cryptocurrency and FinTech are disrupting and complementing the financial industry	8 October 2020
	MIA Webinar Series: Designing Risk Appetite Framework	15 October 2020
Dato’ Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	Macro Updates Green Shoots	26 August 2020
	Competition Law	15 September 2020
	Refresher Training on Chemicals and Polymer Business	15 July 2020
Tan Boon Peng	Webinar on Virtual Board Meetings: In an Era of Social Distancing Boards	26 June 2020
	Invest Malaysia 2020 The Capital Market Conversation - Economic Recovery: Policies & Opportunities (Virtual Series 1)	7 July 2020
	Macro Updates Green Shoots	26 August 2020
	ASB Navigating the Pandemic: A Multispeed Recovery in Asia	27 October 2020

Corporate Governance Priorities (2021 and Beyond)

The Board has identified the following forward-looking two-year action plan to further improve its corporate governance practices.

Sourcing of Directors

In exercising objectivity in the selection process of directors, the NC plans to have access to a wide selection of candidates. As and when a board vacancy should arise, in addition to obtaining referrals from directors, business associates and management, the NC may refer to independent sources such as directors' registry as well as industry and professional associations, to widen the database for candidates.

Board Diversity

The Board will continue its efforts to constitute a diverse Board with the right mix of skill-set, experience, age, cultural background and gender. It is the future plan of the Company to formalise its gender diversity policy.

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 in developing a pipeline of high-calibre female potential candidates by identifying the potential female senior executives within the Group.

Engagement of Independent Experts to Facilitate Board Evaluations

Facilitated by the NC, the annual evaluation to determine the effectiveness of the Board, the Board Committees and each member of the Board and the Board Committees for the financial year ended 31 December 2020 was carried out via questionnaires, using a self and peer-rating model. Assessment criteria were centred on the mix and composition of the Board and Board Committees, quality of information and decision making and boardroom activities.

The Board may appoint independent experts to facilitate evaluations of the Board on a periodic basis should the necessity arise in the future.

Corporate Reporting

The Company is committed to improve upon its sustainability reporting with the view to ultimately move into the integrated reporting regime. In this connection, the Board will set the direction for the Management to establish the necessary systems and controls which include quality non-financial data.

AUDIT COMMITTEE REPORT

Members of the Audit Committee

Mr. Leow Ming Fong @ Leow Min Fong Independent Non-Executive Director Chairman	**Mr. Thomas Karl Rapp** Independent Non-Executive Director *Appointed on 26 February 2020*	**Datuk Simon Shim Kong Yip, JP** Non-Independent Non-Executive Director

Terms of Reference of the Audit Committee

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 2020, five meetings were held. Details of the attendance of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 69 of this annual report.

The executive directors, deputy finance director, chief financial officer and general manager of group finance were invited to all Audit Committee meetings to facilitate direct communication and to provide clarification on financial and audit issues as well as updates on 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

The works of the Audit Committee during the financial year ended 31 December 2020 are summarised below:

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

- Received and reviewed a total of 23 internal audit reports presented by the internal auditors at the quarterly Audit Committee meetings covering the processes of the Group's business units and was 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 areas 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 for recommendation to the Board for approval.

- Noted the key audit matters highlighted by the external auditors as disclosed in the independent auditors' report.

- The Audit Committee held two 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 were, 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 PLT 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 PLT 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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad 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 risk management committee of the Group and is satisfied with the assessment thereof.

- 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

Summary of works of the internal audit function for the financial year ended 31 December 2020 is set out in the Statement on Risk Management and Internal Control on page 85 of this annual report.

NOMINATING COMMITTEE REPORT

Members of the Nominating Committee

The Nominating Committee has been set up since 27 March 2001 and its current members are as follows:

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Independent
Non-Executive Director
Chairman

Mr. Thomas Karl Rapp
Independent
Non-Executive Director
Appointed on 26 February 2020

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

Terms of Reference of the Nominating Committee

Duties and responsibilities of the Nominating Committee are set out in its terms of reference and board charter which are published on the Company's website at www.hapseng.com.

Meetings

During the financial year ended 31 December 2020, two meetings were held. Details of the attendance of each member of the Nominating Committee are set out in the Corporate Governance Overview Statement on page 69 of this annual report.

Summary of Activities of the Nominating Committee

The activity carried out by the Nominating Committee during the meeting held on 21 December 2020 is summarised below:

- Reviewed and recommended the appointment of Mr. Wong Yoke Nyen as an independent non-executive directors after taking into consideration his experience, competency, skill, time commitment and potential contribution to the Company.

During the meeting held on 25 February 2021, the member of Nominating Committee had performed activities summarised below for the financial year 2020:

- Evaluated the performance and effectiveness of Board and Board Committees collectively as well as the performance of each member on an annual basis through the self and peer-assessment and was satisfied that all members of the Board and Board Committees were 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 criteria.

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

- Reviewed 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.

- Noted 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.

- Evaluated the performance of the following executive and non-executive directors standing for re-election at the forthcoming AGM:

  (i) Datuk Edward Lee Ming Foo, JP, Mr. Leow Ming Fong @ Leow Min Fong and Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah in accordance with clause 116 of the Company's constitution; and
  (ii) Mr. Wong Yoke Nyen in accordance with clause 122 of the Company's constitution.

- Assessed the independence of Lt Gen (R) Datuk Abdul Aziz Bin Hasan, having served as an independent non-executive director of the Company for almost nine 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Accordingly, the Nominating Committee had recommended to the Board that Lt Gen (R) Datuk Abdul Aziz Bin Hasan to continue in office as an independent non-executive director of the Company, subject to shareholders' approval.

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee

The Remuneration Committee has been set up since 27 March 2001 and its current members are as follows:

Mr. Thomas Karl Rapp
Independent
Non-Executive Director
Chairman
Appointed on 26 February 2020

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 the Remuneration Committee

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.

Meetings

During the financial year ended 31 December 2020, two meetings were held. Details of the attendance of each member of Remuneration Committee are set out in the Corporate Governance Overview Statement on page 69 of this annual report.

Summary of Activities of the Remuneration Committee

The activities of the Remuneration Committee during the financial year ended 31 December 2020 are summarised below:

- Reviewed the individual executive directors and senior management's emoluments inclusive of benefits for the financial year ending 31 December 2021.
- Reviewed and recommended to the Board, the proposed one-off incentive payment to the executive directors and senior management for the financial year ended 31 December 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to ensure 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 2020 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 to assist the Group to achieve its performance and profitability targets.

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.

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:

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

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

Risk Management (continued)

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

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

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

Internal Control (continued)

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

- Clearly defined delegation of responsibilities to Board Committees 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 to be approved 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.

Internal Audit Function (continued)

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 internal audit reports to the Audit Committee on the major business units which encompassed identification and assessment of business risks.

Hafary Holdings Limited ("Hafary"), the Group's 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 2020 was approximately RM3.07 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 77 to 81 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 collectively 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 2020, 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. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ABOUT THIS STATEMENT

Hap Seng Consolidated Berhad ("the Group" or "Hap Seng") is proud to present its annual sustainability statement for the financial year 2020 ("FY2020"). This statement aims to communicate initiatives undertaken by the Group to manage our governance, economic, environmental, and social risks and opportunities that arise from our operations. Through these initiatives, we aim to sustain long-term value creation today to create a better tomorrow.

Our sustainability statement encompasses our sustainability performance for FY2020, commencing 1st January 2020 to 31st December 2020, across our corporate headquarters in Kuala Lumpur and five business divisions operating within Malaysia: Property Investment & Development ("Property"), Credit Financing, Automotive, Trading and Building Materials. This year, we have restructured our divisions. Malaysian Mosaics Sdn. Bhd. was moved from the Building Materials division to the Trading division.

Divisions	Company Name
Corporate Headquarters	Hap Seng Consolidated Berhad
Property	Hap Seng Land Development Sdn. Bhd. Hap Seng Properties Development Sdn. Bhd. Hap Seng Land Sdn. Bhd.
Credit Financing	Hap Seng Credit Sdn. Bhd.
Automotive	Hap Seng Star Sdn. Bhd Hap Seng Trucks Distribution Sdn. Bhd. Hap Seng Trucks Sdn. Bhd.
Trading	General Trading • Hap Seng Trading (BM) Sdn. Bhd. • Hap Seng (Oil & Transport) Sdn. Bhd. Hap Seng Fertilizers Sdn. Bhd. • Hap Seng Chemicals Sdn. Bhd. Malaysian Mosaics Sdn. Bhd.
Building Materials	Hap Seng Building Materials Sdn. Bhd. Hap Seng Clay Products Sdn. Bhd.

Apart from the divisions mentioned above, Hap Seng operates Hap Seng Plantations Berhad ("Hap Seng Plantations"), a public listed entity which publishes a standalone Sustainability Report. The report can be found at: https://www.hapsengplantations.com.my/sustainability-report.html. Hap Seng Plantations' key sustainability achievements for the reporting period can be found on page 88 of this statement. Additionally, sustainability performance for Hafary Holdings Limited, a subsidiary of the Group listed on the Singapore Exchange Limited (SGX), can be found in its Annual Report, which is available at: https://www.hafary.com.sg/investor_relations/annual_reports.

To ensure best reporting practices, we prepared our sustainability statement in accordance with Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements, with guidance from Bursa Malaysia's Sustainability Reporting Guide (2nd Edition) and the Global Reporting Initiative ("GRI") Standards – Core Option.

Feedback

If you would like to submit feedback about this statement or request further clarification, kindly contact:

Andrew Kuan
General Manager
Corporate Planning & Investor Relations
Email: andrewkuanyc@hapseng.com

SUSTAINABILITY AT HAP SENG GROUP
CREATING VALUE FOR ALL

Listed below are the Group's key sustainability highlights for FY2020:

Established
TEN
Key Performance Indicators

Established a groupwide Anti-Bribery and Corruption Policy

100%
of the Hap Seng Star, Hap Seng Trucks and General Trading's procurement budgets were spent on local suppliers

Generated
16,175.81 tCO_2
across the Group

12%
reduction in water consumption across the Group

Recovered
36%
of non-scheduled waste generated by Building Materials and Property divisions

ZERO
workplace fatalities

Reached out to local communities through development programmes

Conducted virtual employee engagement programmes via Microsoft Teams

Hap Seng Plantations' Sustainability Highlights for FY2020

In FY2020, Hap Seng Plantations has continued to develop and implement measures to enhance sustainability performance. Despite the challenges arising from the COVID-19 pandemic, we continue to execute our sustainability strategies to generate long-term value for our organisation and stakeholders.

Hap Seng Plantations' sustainability achievements are highlighted below:

Obtained
Makanan Selamat Tanggungjawab Industri (MeSTI)
certification for all mills

Awarded
Best Quality CPO Supplier Award for Group Category and **Highest Quantity CPO Supplier Award (Individual Mill Category)**
by IOI Edible Oils

Lost-time accidents decreased by
68%

Contributed
RM998,506.93
to the community

Invested
RM6,948,292.25
in workers welfare

Biogas facility commissioned at
Bukit Mas Palm Oil Mill (BPOM)

Reduced carbon emissions per tonne of CPO produced by
5%

CO_2

Created
1,056.74 hectares
of riparian buffer area

HAP SENG'S SUSTAINABILITY JOURNEY

Since 2016, Hap Seng has sought to improve sustainability performance across its divisions. This year, we reconducted our materiality assessment and further enhanced our sustainability reporting by elaborating on our six capitals and our value creation model.

2016

- Conducted first materiality assessment and identified 11 material sustainability matters
- Identification of three sustainability pillars: Economical, Environmental and Social

2017

- Reconducted materiality assessment and identified 13 material sustainability matters

2018

- Reconducted materiality assessment and identified 26 material sustainability matter
- Adopted eight SDGs: SDG 1, 4, 6, 8, 9, 11, 12 and 13

2019

- Reconducted materiality assessment and identified 23 material sustainability matters
- Included Governance pillar under sustainability pillars
- Adopted SDG 16
- Identified six capitals

2020

- Reconducted materiality assessment and identified 13 material sustainability matter
- Expanded on the Group's six capitals
- Included a value creation model

SUSTAINABILITY AT HAP SENG GROUP
CREATING VALUE FOR ALL

AWARDS AND RECOGNITION

This year, the Group has been recognised for our performance in the automotive industry; our Hap Seng Star Sdn. Bhd. dealerships received 15 awards this reporting period.

Dealership	Award	
Balakong	Global Customer Experience Challenge	First Runner-Up
Bukit Tinggi	Best in Customer Service Index 5-Star Rater	Champion
Iskandar	Best in Customer Service	Second Runner-Up
Kinrara	Best in Financial Services	Champion
	Global Customer Experience Challenge	Champion
	2020 Mercedes-Benz 5 Star Rater Sales	First Runner-Up
	Dealer of the Year	First Runner-Up
Kota Kinabalu	Best in Customer Service Index 5-Star Rater	First Runner-Up
Kuching	Best in Customer Service Index 5-Star Rater	Second Runner-Up
Melaka	2020 Mercedes-Benz 5 Star Rater Sales	Champion
	Best in Sales	Second Runner-Up
Setia Alam	Most Improved Dealer	Second Runner-Up
	Best in Financial Services	Second Runner-Up
	Dealer of the Year	Second Runner-Up
	Global Customer Experience Challenge	Second Runner-Up

MEMBERSHIP OF ASSOCIATIONS

The Group is a member of various industry associations and trade groups. Through these associations, we regularly engage with key industry players, keeping us updated with the latest industry developments and best practices. This year, there was an addition; Hap Seng Trucks Sdn. Bhd. became a member of the Kuantan Chinese Chamber of Commerce and Industry.

Division	Entity	Association
Corporate	Hap Seng Consolidated Berhad	Federation of Public Listed Companies ("FPLC")
		Malaysian-German Chamber of Commerce ("MGCC")
Property	Hap Seng Land Development (Puchong) Sdn. Bhd.	Real Estate and Housing Developers' Association ("REHDA") Malaysia
	Hap Seng Properties Development Sdn. Bhd.	Sabah Housing and Real Estate Developers' Association ("SHAREDA")
	Hap Seng Land Sdn. Bhd.	International Real Estate Federation ("FIABCI") Malaysia
Credit Financing	Hap Seng Credit Sdn. Bhd.	Asset Financing and Leasing Association of Malaysia ("AFLAM")
Automotive	Hap Seng Star Sdn. Bhd.	Malaysian Retail Chain Association ("MRCA")
		Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor ("KLSCCCI")
		Malaysian Automotive Association ("MAA")
	Hap Seng Trucks Sdn. Bhd.	Kuantan Chinese Chamber of Commerce and Industry ("KCCCI")
Trading	Hap Seng Fertilizers Sdn. Bhd.	Fertiliser Industry Association of Malaysia ("FIAM")
	Malaysian Mosaics Sdn. Bhd.	Federation of Malaysian Manufacturers ("FMM")
	Hap Seng Trading (BM) Sdn. Bhd.	Building Materials Distributors Association of Malaysia ("BMDAM")
		Master Builders Association Malaysia ("MBAM")
		Malaysia Steel Association ("MSA")

OUR RESPONSIBILITY TOWARDS SUSTAINABLE DEVELOPMENT

Our Contribution to the Global Agenda

As part of our commitment to the global agenda for sustainable development, we have adopted nine of the 17 United Nations Sustainable Development Goals ("SDGs") outlined by Agenda 2030. We align our practices with these SDGs and look to contribute to alleviating economic, environmental, and social disparities within Malaysia.

1 NO POVERTY

- Provided employment opportunities to 236 persons in FY2020
- Improved accessibility to housing through the construction of affordable housing unis
- Provided financier services to 3,961 SME businesses in FY2020

4 QUALITY EDUCATION

- Sponsored 18 students to complete technical and vocational education
- Provided 145 students with character development and project management learning opportunities through the 10 G.I.L.A Days programme
- Raised over RM4,000 in school supplier for 104 children under the "Back-To-School Donation Drive"

6 CLEAN WATER AND SANITATION

- Reduced water withdrawal by 12%
- Recycled used water for dust suppression, lorry washing and housekeeping at our quarry crushing plants
- Equipped Hap Seng Land buildings with rain water harvesting tanks and water-efficient fittings (i.e. dual flush toilets)

8 DECENT WORK AND ECONOMIC GROWTH

- Exercise non-discriminatory hiring practices
- Financed 3,961 SME businesses
- Employed 2,107 Malaysians in FY2020

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Incorporated eco-friendly fittings in properties constructed
- Utilised solar panels for electricity generation at our Hap Seng Star Kinrara Sdn. Bhd. Dealership

11 SUSTAINABLE CITIES AND COMMUNITIES

- Constructed 1,024 units of affordable housing at Southville Apartments
- Constructed properties in line with requirements of green building certification schemes and obtained green building certification

SUSTAINABILITY AT HAP SENG GROUP
CREATING VALUE FOR ALL

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Reduced paper consumption by 14% through the digitisation of processes at Hap Seng Star Sdn. Bhd.
- Implemented 3R (Reduce, Reuse and Recycle) measures to reduce resource consumption and waste generation
- Recovered 37% of non-scheduled waste at our Building Materials and Property divisions

13 CLIMATE ACTION

- Disclosed greenhouse gas emissions in tonnes of CO_2
- Incorporated energy-efficient fittings and sustems in properties to reduce unnecessary electricity consumption

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Established a groupwide Anti-Bribery and Corruption policy in June 2020
- Provided channels to report incidents of malfeasance in the organisation

Sustainability Governance

The Board of Directors ("the Board") is the ultimate decision-making authority to determine the sustainability direction of the Group.

At the divisional level, the division heads are tasked with managing sustainability initiatives across their respective business divisions and report any sustainability matters that arise to the group managing director.

Our Approach

At Hap Seng, our approach to sustainable development is multifaceted. We recognise that to achieve overall sustainability, we need to address governance, economic, environmental and social risks and opportunities in an integrated manner.

Below are the Group's sustainability pillars, upon which we structure our approach to build a sustainable business.

People and Community Development

Safeguarding a conductive workplace retains and attracts talents that contribute to the achievement of our strategies and goals. We also contribute to the community outside the workplace through development programmes to alleviate socio-economic hardships within our surrounding communities

Environmental Protection

Limiting our environmental footprint is crucial for preserving natural resources for future generations and mitigating adverse impacts resulting from climate change

Responsible Governance

Strong governance is needed to ensure the Group continues to operate in an ethical manner, thus fostering trust among our stakeholders

Economic Resilience

Stable economic growth supports the development of the Group, contributing to long-term value creation for our stakeholders

The Capitals

Through strategic management of the Group's tangible and non-tangible resources, we generate outputs that provide value to our stakeholders and the organisation in the short, medium and long-term. These assets are classified under six capitals: financial, human, intellectual, natural, manufactured, and social and relationship.

01

Financial Capital

We strategically manage economic value generated to support the growth of the Group and provide added value to our stakeholders

02

Human Capital

To attract and retain talents, we safeguard a conductive workplace and provide competitive remuneration packages

03

Intellectual Capital

Using our expertise and vast industry knowledge, we build our unique brand reputation by delivering innovative products and services

04

Natural Capital

Committed to minimising our environmental footprint, we rationally utilise our natural resources and the latest innovations to reduce our negative environmental impacts

05

Manufactured Capital

Across our business divisions, we utilise our resources to manufactured and provide quality products and services that support the Group's long-term growth

06

Social and Relationship Capital

Regular engagement activities are conducted to strengthen our relationships with our stakeholders. Through these synergies, we aim to sustain long-term value creation

SUSTAINABILITY AT HAP SENG GROUP
CREATING VALUE FOR ALL

Value Creation

Hap Seng looks to facilitate long-term value creation by effectively managing our capitals. Below, we illustrate how we utilise our tangible and non-tangible inputs and transform them into value for the business and our stakeholders.

INPUTS

FINANCIAL
- Revenue
- Cost reduction initiatives

HUMAN
- Employees of diverse background
- Continuous training and skill development

INTELLECTUAL
- Management systems
- Innovative initiatives

NATURAL
- Energy
- Raw materials
- Water

MANUFACTURED
- Technology
- Land banks
- Factories
- Office buildings

SOCIAL AND RELATIONS
- Stakeholder engagement
- Industry partnerships
- Community engagement
- Supply chain partnerships

STRATEGIES FOR CREATING VALUE

VISION

CREATING VALUE TOGETHER, TO A BETTER FUTURE

- Honesty and Integrity
- Responsible Conduct
- Enterprising and Entrepreneurial
- Innovative Excellence

MISSION

- To provide quality products and excellent services that differentiates us from others
- To be the preferred partner and promote win-win business relationships
- To be the employer of choice
- To be a good corporate citizen in harmony with the environment and the communities we serve
- To achieve sustainable growth and returns for our shareholders over the long-term

- **Levarage on key competencies and strong market presence**
- **Growth opportunities in new product offerings and markets**
- **Strategic tie-ups with various partnerships**
- **Adopt best industry practices**
- **Optimise operational efficiency and effectiveness**

OUTPUTS

- Well-integrated and accessible properties and spaces
- Synergistic opportunities for businesss
- Quality and innovative products and services
- Exceptional customer experiences
- Responsible resource consumption
- Highly-skilled and knowledgeable workforce
- Dividends to shareholders and investors

OUTCOMES

- **Continuously enhancing shareholder value**
- **Contributing to global sustainable development**
- **Fostering trust and confidence among stakeholders**
- **Safeguarding employee health and well-being through a conducive work environment**
- **Reduced environmental footprint**

Key Performance Indicators

This year, we strengthened our commitment to sustainable development through the establishment of key performance indicators ("KPI"). We have developed ten KPIs which vary across the different operating divisions and corporate office. As a result of the Group's unwavering commitment and good governance, we achieved all of our ten KPIs.

Division	Material Sustainability Matter	Key Performance Indicator	Achievements
Corporate	Talent Management	100% employees to undergo performance appraisals	**ALL** employees underwent performance appraisals in FY2020
Automotive	Occupational Safety and Health	Zero workplace fatalities	**No workplace fatalities** recorded in FY2020
	Quality Products and Services	To achieve a Customer Satisfaction Index score of 4 stars	Achieved an average Customer Satisfaction Index score of **4.88**
	Supply Chain Management	80% of Hap Seng Star Sdn. Bhd.'s procurement budget spent on local suppliers	**100%** of Hap Seng Star Sdn. Bhd.'s procurement budget was spent on local suppliers
Building Materials	Occupational Safety and Health	Zero workplace fatalities	**No workplace fatalities** recorded in FY2020
Credit Financing	Supporting SMEs	70% customers are SMEs	**86%** customers in FY2020 were SMEs
Property	Eco-Solutions	To incorporate eco-friendly features in all properties	Achieved
	Supply Chain Management	80% of procurement budget spent on local suppliers	**94.4%** of procurement budget was spent on local suppliers
Trading	Occupational Safety and Health	Zero workplace fatalities	**No workplace fatalities** recorded in FY2020
	Quality Products and Services	0.5% justified complaints	Recorded 0.5% justified complaints in FY2020

STAKEHOLDER ENGAGEMENT

Hap Seng regularly conducts engagement activities to keep abreast of stakeholder concerns and expectations. In the table below, we have listed our key stakeholder groups along with their concerns and how we respond.

Stakeholder group	Areas of Concern	Our Response
Shareholders, Investors and Analysts	• Financial performance • Risk management • Compliance • Good business conduct • Corporate values	• Annual General Meetings are organised every year to update shareholders, investors and analysts on the Group's performance and strategy for the year • Analyst briefings are conducted quarterly or as and when required to discuss the financial status of the Group and forecasts of future performance • Press releases are published as and when required to communicate the latest developments within the Group
Employees	• Employee safety and health • Talent development • Attractive remuneration benefits	• Performance reviews are conducted annually to evaluate employees' performances at the workplace • Internal meetings, conferences and interviews are conducted as and when required to discuss matters that arise at the workplace
Customers	• Quality of products and services • Engagement opportunities and experience	• Suggestion boxes are available daily for customers to submit feedback and suggestions for improvement of products and services • Social media platforms are used daily to promote and communicate our latest product and service offerings • Newsletters are published as and when required to communicate updates and promotions • Customers visits to our sales offices occur as and when queries arise • Feedback surveys are distributed as and when required to obtain feedback on products and services offered
Suppliers	• Legal compliance • Fair procurement practices • Quality of goods • Continuous collaboration	• Meetings are organised as and when required for discussion • Phone calls and messages are also sent as and when required to discuss matters that arise

Stakeholder group	Areas of Concern	Our Response
Regulators and Government Bodies	• Compliance to laws, regulations and guidelines	• Annual professional courses are organised to ensure the Group remains updated of the latest legal and regulatory requirements • Conferences, meetings, briefings, and in-house seminars are conducted as and when required to communicate changes in the regulatory environment • Site visits by officers are conducted to ensure that the Group continues to abide by legal and regulatory requirements
Communities	• Local community development and investment • Impacts of the Group's operations on the surrounding communities	• Community development programmes are organised monthly to contribute to the socio-economic development of the surrounding communities • Press releases and meetings are conducted as and when required to address issues relating to local communities surrounding the Group's operations
Media	• Business reputation • Product offerings • Market presence • Corporate responsibility	• Annual press releases are circulated to communicate the Group's latest developments and updates • Advertisements are issued as and when required to market our latest product and service offerings

MATERIAL SUSTAINABILITY MATTERS

Materiality Assessment

By conducting regular materiality assessments, Hap Seng is aware of key governance, economic, environmental and social factors that largely influence the decision-making process of stakeholders and the business' ability to sustain short, medium and long-term value creation. As we keep track of our key material sustainability matters ("material matters"), we are able to develop and effectively execute business strategies.

The nature of businesses across international markets have been largely affected by the COVID-19 pandemic and business priorities have shifted. Therefore, we have decided to re-assess our material matters in this reporting period in light of this.

Upon deliberation among key personnel across the Group and divisions, we consolidated our 23 material matters from FY2019 to 13 material matters to be reported on this year. Once consolidated, the material matters were selected and ranked through a three-step process that was conducted on an online survey platform to minimise physical contact.

Materiality Assessment Process

Stakeholder Ranking

Each key stakeholder group was assigned a ranking based on priority to the Group

Importance of Material Matter to Business Operations

A ranking was assigned to each material matter in accordance with its importance for the continuity and strengthening of business performance and operations

Importance of Material Matter to Stakeholders

Each material matter was ranked based on importance to a selected stakeholder group

As a result of the assessment, we have generated our first groupwide materiality matrix that illustrates the importance of all 13 material matters.

MATERIALITY MATRIX

Responsible Governance

1. Corporate Governance & Transparency
2. Data Protection

Environmental Protection

8. Climate Change
10. Environmental Stewardship
11. Eco-Solutions

Economic Resilience

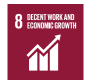
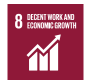
3. Economic Performance
6. Supply Chain Management
7. Quality Products & Services
9. Supporting SMEs

People and Community Development

4. Occupational Safety and Health
5. Talent Management
12. Affordable Housing
13. Empowering Local Communities

Mapping Our Material Sustainability Matters

Material Sustainability Matter	Description	Capitals	SDGs
Responsible Governance			
Corporate Governance & Transparency	The Group exercises strong corporate governance and transparency to safeguard ethical practices and organisational integrity.	• Human • Social and Relationship	8, 16
Data Protection	We uphold stringent data protection practices to ensure personal data is kept secure and not misused in any way.	• Social and Relationship	16
Economic Resilience			
Economic Performance	The Group sustains economic growth to support long-term value creation for our stakeholders.	• Financial	8
Supply Chain Management	We appoint the best suppliers and vendors throughout our value chain in order to provide quality products and services to our customers.	• Social and Relationship	8
Quality Products & Services	By ensuring we continue to provide quality products and services, the Group continues to attract and retain customers, providing financial growth and stability.	• Manufactured	8
Supporting SMEs	We provide opportunities for SMEs to grow their businesses through financing products and services, consequently supporting the local economy.	• Social and Relationship	8
Environmental Protection			
Climate Change	We implement energy-saving practices to reduce our carbon footprint and mitigate climate change.	• Natural	13
Environmental Stewardship	To minimise our impact on the environment, we undertake measures to restrict our contribution to environmental degradation.	• Natural	6, 12, 13
Eco-Solutions	We utilise our industry-specific knowledge and skills to develop products and services that mitigate our environmental impacts.	• Intellectual • Natural	9, 11, 12

Material Sustainability Matter	Description	Capitals	SDGs
People and Community Development			
Occupational Safety and Health	We undertake measures to maintain a safe workplace to safeguard employee health and well-being.	• Social and Relationship	
Talent Management	The Group ensures employees are satisfied by providing a conducive workplace and competitive remuneration and benefits.	• Human	
Affordable Housing	We continue to develop affordable housing to provide opportunities for home ownership across our developments.	• Manufactured • Social and Relationship	
Empowering Local Communities	Using our resources, we aim to eradicate socio-economic issues by organising community-centred programmes and providing donations to those in need.	• Social and Relationship	

RESPONSIBLE GOVERNANCE

CORPORATE GOVERNANCE & TRANSPARENCY

Support by SDG:

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

At Hap Seng, we instil good governance as guided by the principles of the Malaysian Code of Corporate Governance ("MCCG"). By upholding these principles, we aim to promote confidence among our stakeholders and safeguard our position as a trusted conglomerate.

The Group is led by the Board, who oversees the management of the Group and the fulfilment of objectives and goals, including our commitment to sustainability. Therefore, it is pertinent that we use stringent and non-discriminatory selection procedures when appointing Directors.

The duties and responsibilities of the Board are explained in the Board Charter, which is available on the Group's corporate website. Further information on the Board can be found on pages 50 to 60 of this Annual Report and in our Corporate Governance Report.

ETHICS AND INTEGRITY

Maintaining a culture of ethics and integrity within our organisation helps sustain long-term business growth. We communicate the expected standards of behaviour to employees in the Employee Handbook and the Group's Code of Conduct ("Code"), which is built on five core principles.

The Employee Handbook is distributed to employees upon joining Hap Seng as part of the induction programme. Refresher courses are also conducted, when necessary, to update employees on changes that have been made.

The grievance procedure at Hap Seng provides employees a channel to report unethical behaviour or incidents to an immediate supervisor for resolution. However, if the grievance is unresolved, it is to be brought up to the Group Human Resource Division for further investigation. The grievance procedure is detailed in the Employee Handbook to ensure employees are made aware of the channel provided. In FY2020, the Group recorded one incident that was submitted using the grievance procedures mentioned.

ANTI-CORRUPTION

A groupwide Anti-Bribery and Corruption Policy ("ABC Policy") was implemented in June 2020, in line with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. It outlines the expected standards of conduct when engaging on behalf of or with the Group. Employees, business associates and external providers are required to sign an integrity declaration form to confirm their adherence to the policy.

Training and briefings conducted by the Legal and Compliance Department on the policy had 654 employees attending, including senior management. The policy was also communicated to employees via email.

An Integrity Management Committee ("IMC") was formed to oversee the implementation of the ABC Policy and to evaluate its adequacy and effectiveness in protecting the Group from bribery and corruption risks.

A corruption risk assessment is conducted annually in order for the Group to develop and implement updated corruption-related controls. This year, we conducted a corruption risk assessment of our entire operations, and found that it was of low risk.

Violation of the ABC Policy should be reported using the whistle-blowing channel. The report can be sent by email or letter to the Employee Relations Manager for incidents concerning employees, or the Senior Independent Director for incidents concerning the Board or Management. The anonymity of the whistle-blower shall be protected to prevent reprisal. This year, two reports were submitted through the whistle-blowing procedure are currently under investigation.

REGULATORY COMPLIANCE

The Group has an in-house Legal and Compliance Department that monitors all applicable laws and regulations for changes and ensures established operating procedures continue to adhere to them.

Laws and regulations that we adhere to include:

- Companies Act 2016
- Employment Act 1955
- Personal Data Protection Act 2010 ("PDPA")
- Capital Markets and Service Act 2007
- Environmental Quality Act 1974
- Occupational Safety and Health Act 1994
- Children and Young Persons (Employment) Act 1966
- Malaysian Anti-Corruption Commission (Amendment) Act 2018

In the event of non-compliance, we undertake corrective measures to remediate the matter and avoid recurrence.

RISK MANAGEMENT

Hap Seng's Risk Management Committee is responsible for conducting robust risk assessments annually as well as implementing and managing risk mitigation measures for identified risks.

Identified risks are categorised according to low, moderate, significant and high net risk ratings. Upon completion of the risk assessment, the Group puts in place additional controls and procedures to ensure that the risks are managed appropriately.

More information on Hap Seng's approach to risk management can be found on pages 82 to 86 of this Annual Report.

DATA PROTECTION

Support by SDG:

Our data protection approach is built on the trust our stakeholders have placed in us. With the rise of process digitisation, we have become increasingly dependent on technology to manage and store data. However, this has led to greater information and cybersecurity risks. To ensure data is protected to the best of our abilities, we exercise prudence by adhering to the requirements of the PDPA 2010.

Only authorised personnel are allowed to access customer personal data on our business systems. For further security, annual reviews are conducted by Group IT to evaluate user access to these business systems across all divisions. Each division has a designated PDPA officer, responsible for managing and resolving matters related to data privacy and security.

Additionally, we have established data management policies and procedures across our operations. An Employee Personal Data Privacy Policy was adopted to ensure employees' data is managed accordingly.

In view of our rigorous data protection initiatives, we have recorded zero cases and complaints of data mismanagement this year. Nonetheless, we have set up corrective measures for scenarios of data breaches which are outlined in the Group's Data Breach Policy.

For incidents of data breach, the Group's IT Department is responsible for conducting an investigation within 24 hours of occurrence. A risk assessment is also performed to determine the impacts of the breach on the affected individuals and the Group. Upon investigation, remedial measures are developed and undertaken to contain the breach and resume operations. The investigating team will then present recommendations to the Group's Chief Information Officer for approval and implementation to prevent reoccurrences of such incidents.

ECONOMIC **RESILIENCE**

ECONOMIC PERFORMANCE

Support by SDG:

8 DECENT WORK AND ECONOMIC GROWTH

This year, the spread of COVID-19 has posed a great threat to the financial stability of businesses everywhere, including Hap Seng. To rectify the lowered economic performance brought upon by the pandemic, the Group implemented various fiscal measures across our business divisions.

Organisation Restructuring → Increase focus on cashflow management, credit control and collection → Usage of social media platform for sales and marketing → Voluntary separation schemes → Cost containment strategies

Information on the Group's overall financial performance this reporting period can be found on pages 3 to 5 of this Annual Report.

CREDIT FINANCING

As a result of slowed national economy due to the COVID-19 pandemic, the Credit Financing division adopted a prudent stance in managing its liquidity and business procurement. Hence, the Credit Financing division recorded a reduction in business volume during the reporting period. Furthermore, cashflow constraints faced by businesses affected by the pandemic and its lockdown saw collection challenges increase during this reporting period.

To mitigate these negative economic impacts, the Credit Financing division provided, on a case-to-case basis, loan moratoriums for those with cash flow difficulties. In addition, Hap Seng Credit Sdn. Bhd. restructured customer accounts, where feasible, to ease loan repayment. The division has also focused on strengthening the Group's synergies by financing business opportunities between the different divisions (i.e. Property and Automotive).

SUPPLY CHAIN MANAGEMENT

Support by SDG:

8 DECENT WORK AND ECONOMIC GROWTH

Engaging with the right suppliers is crucial for the provision of quality products and services across our divisions. Hence, we undertake measures to ensure that we continuously procure from the best suppliers available.

Prior to appointment, shortlisted suppliers undergo a tender process. The process varies in each division and is guided by requirements outlined by division-specific policies and procedures.

Appointed suppliers are subject to half-yearly and annual reviews. These reviews are conducted based on a set of criteria which differ from division to division. For example:

AUTOMOTIVE

- Price
- Quality
- Delivery
- Capacity
- Terms & Conditions
- Commitment

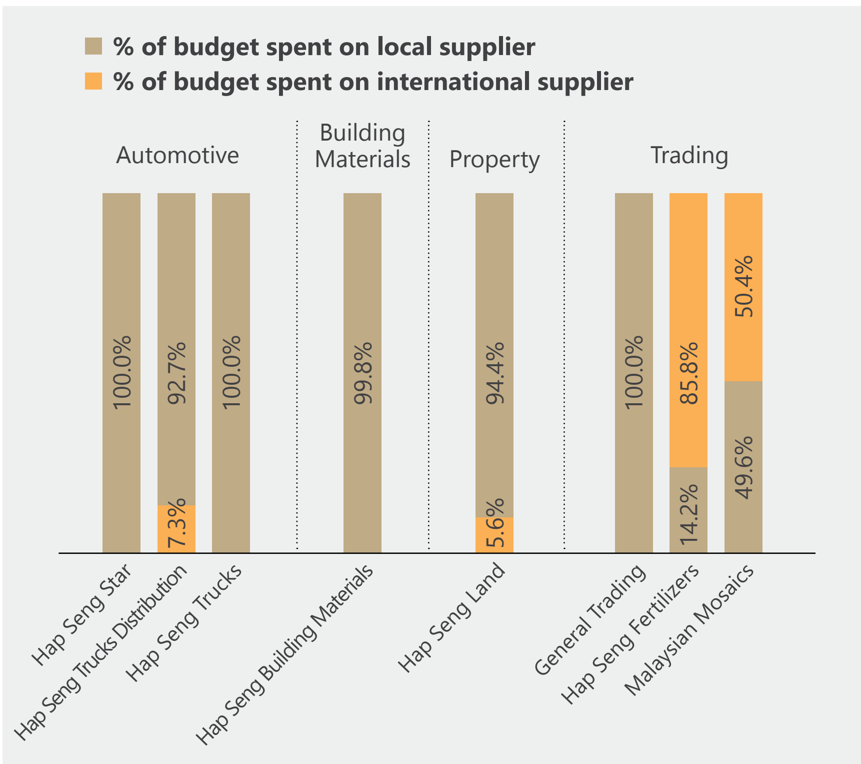
TRADING

- Price
- Quality
- Delivery
- Product Suitability
- Service

Hap Seng Star (Kinrara Dealership) suppliers are evaluated annually as per ISO9001:2018 Quality Management System requirement

To support the local economy, we aim to procure from local suppliers when possible. In the year under review, 100% of Hap Seng Star Sdn. Bhd., Hap Seng Trucks Sdn. Bhd. and General Trading's procurement budgets were expended locally.

Procurement budget expenditure



QUALITY PRODUCTS & SERVICES

Support by SDG:

8 DECENT WORK AND ECONOMIC GROWTH

We are committed to delivering quality products and services that meet customer needs, drive customer satisfaction and ultimately uphold our reputation as a reliable organisation.

Property Investment and Development

Through the implementation of an internal Quality Management System, we regulate the quality of our properties. We conduct customer satisfaction surveys for both investment and development properties.

Our customer satisfaction surveys for property development include the following criteria:

Helpfulness of the customer service representative

Rating of the development in these areas:

- Lobby
- Security
- Cleanliness
- Landscape
- Architecture Design
- Innovation & Product Concept
- Uniqueness & Practically of Common Property
- Defect Rectification

Overall satisfaction with the vacant possession experience

Rating of the internal quality of finishing and fitting in unit:

- Floor tiles finishing
- Wall finishing
- Sanitary finishing
- Door finishing
- Window finishing
- Electrical Switch Fittings

Likelihood of recommending Hap Seng Land products to friends and/or family

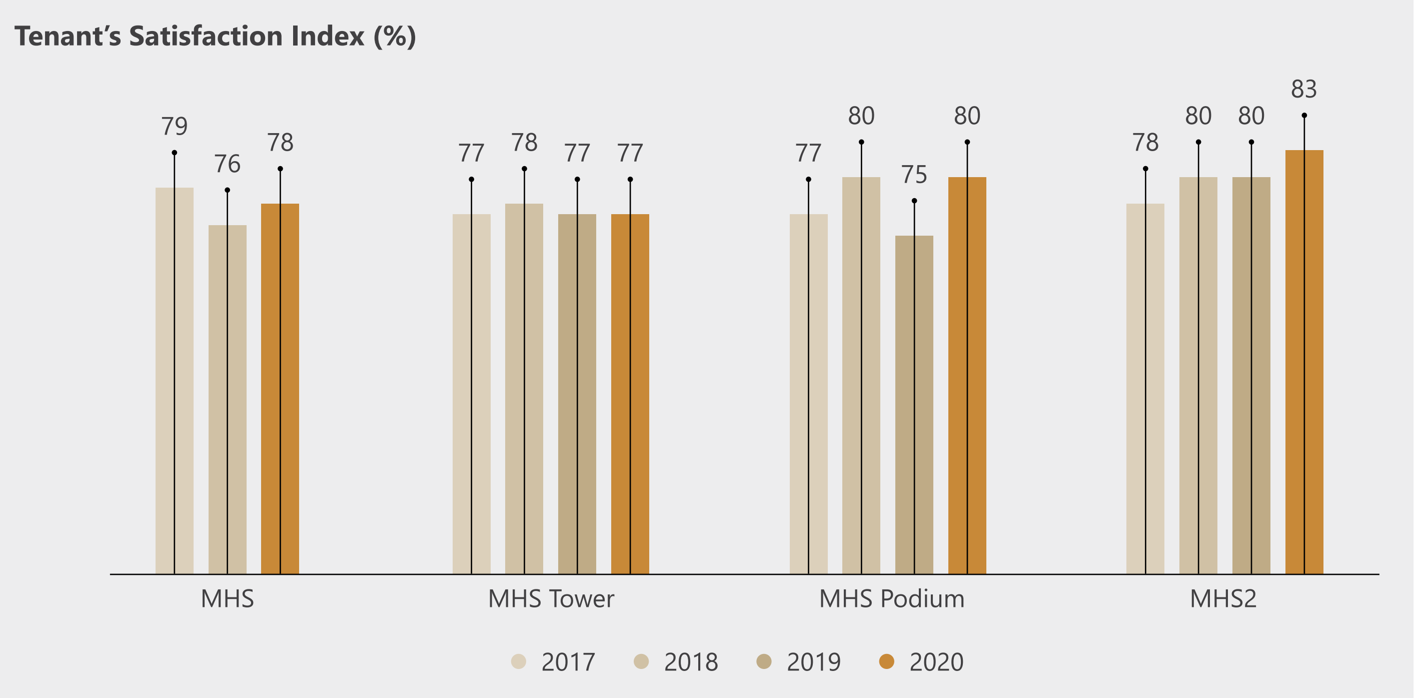
Aspect of the product/service they are most satisfied with:

- Quality
- Cleanliness
- Purchase Experience
- Customer Service

96% of respondents rated the overall units 'Good' and 'Very Good' upon handover

Upon receiving a customer complaint, a sales consultant or customer service officer is assigned to resolve the matter. We efficiently manage complaints and ensure they are addressed within three working days.

For property investment, we utilise a 'customer management' approach to understand what quality means to our customers, rather than only a 'product management' approach. We distribute Tenant Satisfaction Survey forms to tenants physically and via email to gauge feedback. This is conducted annually in June.



	MHS	MHS Tower	MHS Podium	MHS2
FY2017	N/A	77	77	78
FY2018	79	78	80	80
FY2019	76	77	75	80
FY2020	78	77	80	83

Furthermore, selected buildings are evaluated based on the Quality Assessment System in Construction ("QLASSIC"). Through this system, our buildings are evaluated based on criteria outlined in the Construction Industry Standards for quality of structural, architectural, mechanical and electrical, and external works.

Urgent rectification matters that do not require external contractors are addressed within 24 hours of receiving the complaint. For matters that require external assistance, we aim to resolve them as soon as possible.

QLASSIC Score of Our Buildings

- Nadi Bangsar Service Residence: 83%
- Aria Luxury Residence KLCC: 81%

Automotive

Hap Seng Star Sdn. Bhd. strives to maintain high levels of customer satisfaction by continuously assessing and improving our products and services. All vehicles and products undergo a stringent inspection process when received from suppliers and before delivery to customers.

We conduct Customer Satisfaction Index ("CSI") surveys annually to assess our performance and identify areas for improvement. These surveys are sent to customers three days after the delivery of the vehicle to gauge feedback on their experience. This year, we targeted to achieve an average national CSI score of 4 and are proud to disclose that we have exceeded our target by achieving an average CSI score of 4.88.

The criteria assessed include:

- Overall buying experience
- Showroom greetings
- Interaction with sales executive
- Whether test drives weew offered
- Overall delivery experience
- Follow-up call after delivery

By recognising our shortcomings, we develop effective and updated measures to improve the quality of our products and services. As a result of our efforts to deliver quality and excellence to our customers, Hap Seng Star Sdn. Bhd. was awarded Most Improved Dealer as well as first and second runner-up for Dealer of the Year in FY2020.

Trading

Providing customers with quality products and services establishes brand reliability, and secures customer confidence. As such, careful quality control of raw materials purchased, production processes and final products are conducted by the departments. Our operations at Malaysian Mosaics Sdn. Bhd. comply with the requirements of Quality Management System ISO9001:2015 and Product Certification ISO13006:2014 to provide expected standards of products and services.

We collect feedback on products and services using a customer satisfaction survey, and using the feedback provided we develop improvement actions to close identified gaps.

Survey Criteria

- Meet quality specifications
- Aesthetics feature and design
- Availability of product variance
- Sales representative services
- Salesman product knowledge
- Response to inquiry and complaint
- Price
- Payment terms
- Order Completion

Customer Satisfaction Scores

Domestic Customers

FY2018	FY2019	FY2020
16.00%	33.33%	**88.89%**

International Customers

FY2018	FY2019	FY2020
71.43%	94.44%	**71.43%**

At Malaysian Mosaics Sdn. Bhd., customer complaints are managed through a digital system which is operated under the purview of the Total Quality Management ("TQM") Department. Upon receiving a complaint, an investigation is launched by the TQM department and a report is produced within seven working days.

SUPPORTING SMALL AND MEDIUM-SIZED ENTERPRISES ("SMES")

Support by SDG:

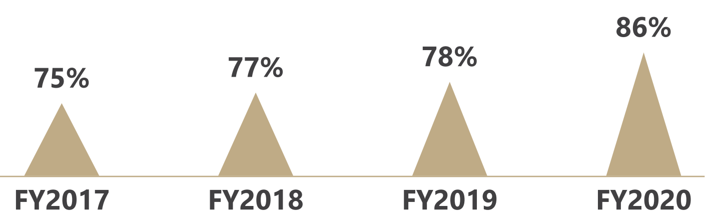
8 DECENT WORK AND ECONOMIC GROWTH

SMEs play an integral role in supporting local economic growth and during this challenging period, it has become increasingly important that we support them to sustain their businesses.

Hap Seng Credit Sdn. Bhd. continues to support SMEs through the provision of capital under our Industrial Hire Purchase and Term Loan financing schemes. Through these schemes, we hope to facilitate the growth of SMEs, indirectly contributing to the expansion of the Malaysian economy.

This year, our Credit Financing division served 4,628 customers of which 86% were SMEs. We provide optimal financing solutions that allow our customers to improve their businesses. In FY2020, we achieved a 13% customer return rate among our SME clientele.

Percentage of SME customers from FY2017 to FY2020



ENVIRONMENTAL PROTECTION

CLIMATE CHANGE

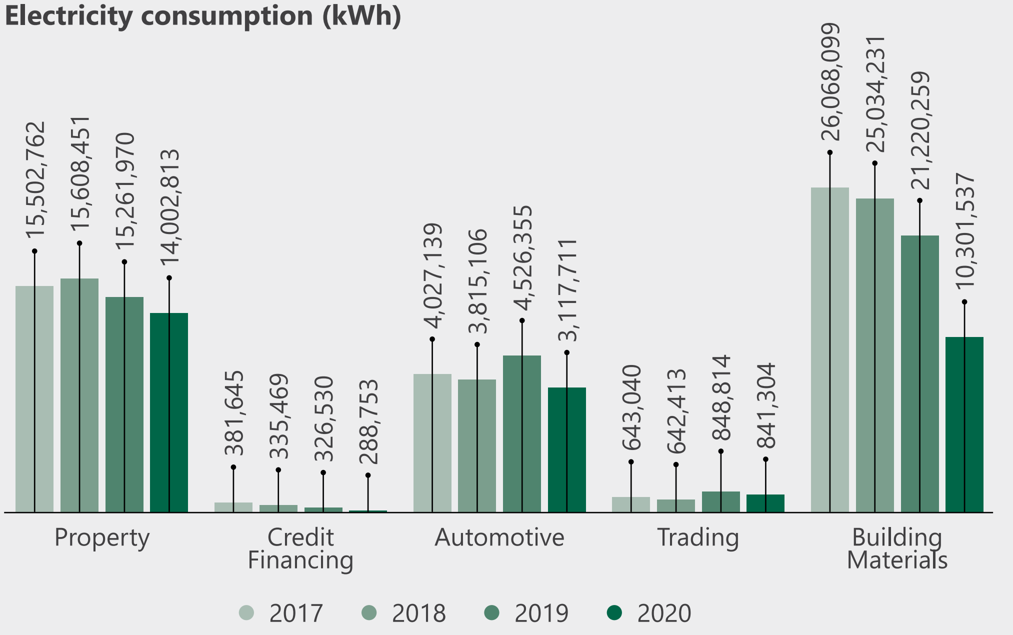
Support by SDG:

Our objectives are to minimise the Group's contribution to climate change and to reduce the direct physical impacts thereof on our operations and communities, while also improving disclosure.

ELECTRICITY CONSUMPTION

This year, the Group consumed 28,552,117 kWh across all five divisions. This is a 32% decrease when compared to the 42,183,928 kWh that was consumed in FY2019. This is attributed to reduced business operations during COVID-19 government-imposed lockdowns and the closures of non-viable operations in the Building Materials division.

Electricity consumption (kWh)



The Building Materials division's electricity consumption data for FY2019 has been restated due to changes in calculation methodology.

Property Investment and Development

Hap Seng Land Sdn. Bhd. incorporates energy-saving features and systems in building design to minimise energy consumption. These include double-layer laminated façade glass to reduce heat transfer, passive designs to increase penetration of natural light into the building, and the Building Management System ("BMS") / Building Automation System ("BAS") to centralise the building's heating, venting, AC and other interrelated systems.

Energy-efficient features implemented by Hap Seng Land Sdn. Bhd.

Menara Hap Seng

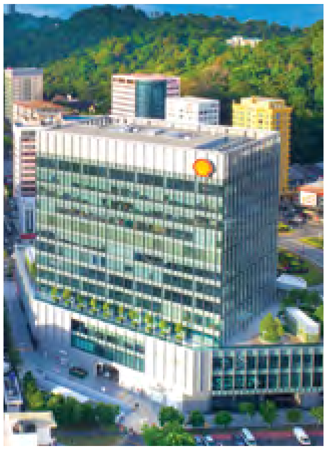
- Replaced incandescent light bulbs with LED light bulbs
- Standardised AC temperatures
- Implemented the BMS

Menara Hap Seng 2

- Utilised double-layer laminated facade glass for reduced heat penetration
- Installed LED light fittings
- Standardised AC temperatures
- Implemented the BMS

Menara Hap Seng 3

- Utilised double-layer laminated facade glass for reduced heat penetration
- Installed LED light fittings
- Introduced a green wall and glass panel in air well to facilitate natural light penetration into offices
- Standardised AC temperatures
- Implemented the BMS

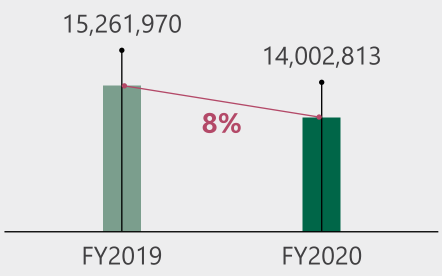


Plaza Shell

- Installed LED light fittings
- Standardised AC temperatures
- Implemented the BAS

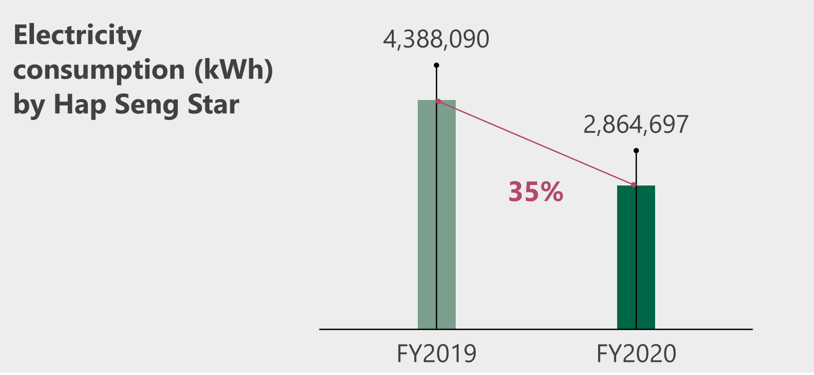
In FY2020, despite the inclusion of Menara Hap Seng 3 in Hap Seng Land Sdn. Bhd.'s portfolio, the division saw a 8% reduction in electricity consumption from FY2019 due to the effectiveness of our energy saving initiatives and reduced operations during the Movement Control Order ("MCO") enforced by the Government of Malaysia.

Electricity consumption (kWh) by Hap Seng Land Sdn. Bhd.



Automotive

Hap Seng Star Sdn. Bhd. dealerships and service centres are highly reliant on the use of electricity. To minimise energy consumption, LED light fittings were installed across the dealerships and service centres, place timers were fitted to switch off air-conditioning ("AC") units at 6pm on a daily basis and annual reduction targets of 10% were established. We also continue to utilise solar panels to generate electricity at our Kinrara Dealership, which were installed in FY2017. Through these efforts, we achieved a 35% reduction in purchased electricity consumption across our Hap Seng Star Sdn. Bhd. operations in comparison to FY2019, surpassing our initial target.



At Hap Seng Trucks Sdn. Bhd., measures undertaken to reduce energy consumption include standardisation of AC temperatures and switching off 50% of AC units and lights during non-peak hours (e.g., lunch hour). Furthermore, LED light fittings were installed at new branches and Hap Seng Trucks Sdn. Bhd. invested in energy-efficient appliances.

Greenhouse Gas ("GHG") Emissions

We have embarked on reporting GHG emissions as part of our efforts to monitor and reduce our environmental footprint. Our reporting covers scope 2 emissions, which are indirect GHG emissions derived from the consumption of purchased electricity.

This year, we emitted 16,702.99 tonnes of CO_2 (tCO_2) scope 2 emissions across the five divisions. When compared to FY2019, this represents a 32% reduction in GHG emissions, resulting from temporary cessation of business activities during the MCO and the closures of non-viable operations in the Building Materials division.

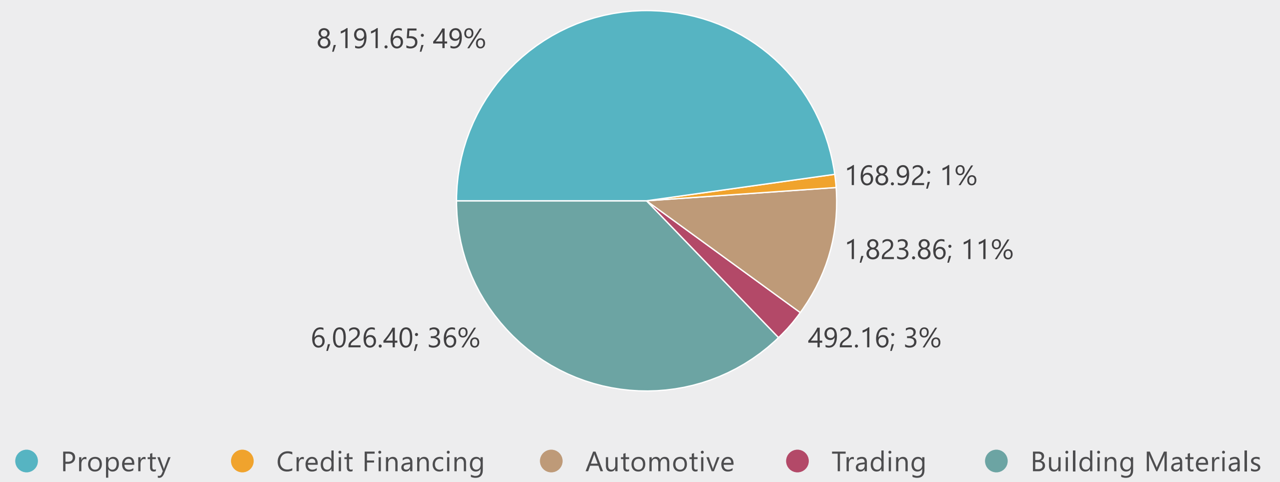
Scope 2 GHG Emissions (tCO_2)

Emission Factor Source: 2017 CDM Electricity Baseline for Malaysia (Malaysian Green Technology Corporation, 2017)

48% of the Group's GHG emissions in FY2020 derive from the Property division, followed by Building Materials, Automotive, Trading, and Credit Financing.

SUSTAINABILITY AT HAP SENG GROUP
CREATING VALUE FOR ALL

Scope 2 GHG Emissions (tCO_2) FY2020



ENVIRONMENTAL STEWARDSHIP

Support by SDG:

At Hap Seng, we seek to minimise and manage our environmental impact and have undertaken measures to protect the natural biodiversity of the areas where we operate.

Air Quality

By minimising emissions, we mitigate environmental pollution and reduce its impact on public health. Hap Seng complies with the air quality standards stipulated by the Environmental Quality (Clean Air) Regulations 2014 as well as the Malaysia Ambient Air Quality Standards (MAAQS) 2020.

Automotive

Hap Seng Star Sdn. Bhd. operations emit sulphur dioxide from painting and workshop activities, conducted at its service centres. To ensure these emissions are limited to our operating boundaries, we installed air filters in painting booths to limit the transmission of paint particles to the external environment. We also conduct biannual monitoring to ensure the air emissions are within the permissible limits as stated in relevant standards and regulations.

Our operations are subject to annual environmental audits by external parties to verify compliance with requirements stated under certification schemes such as the ISO 14001:2015 Environmental Management System.

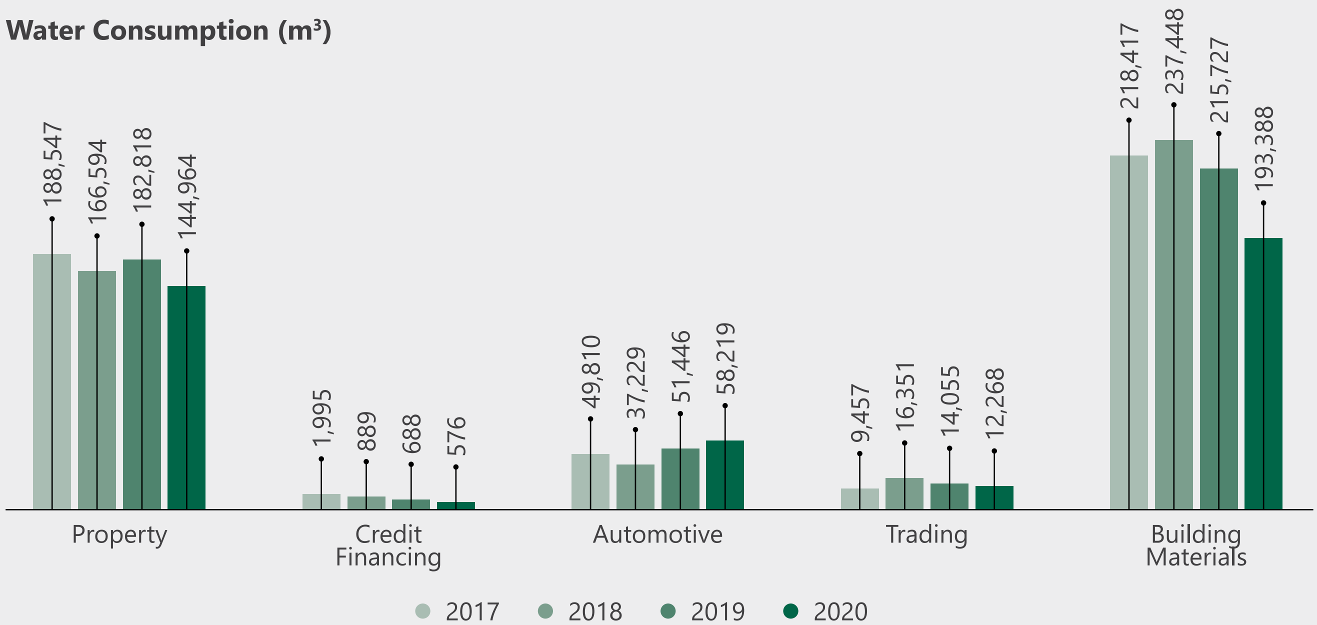
Building Materials

At Hap Seng Building Materials Sdn. Bhd., our primary air emission is suspended particulate matter in the form of dust. To effectively manage our dust emissions, we installed water sprinklers at sources of emissions and transfer points. Regular dust emission monitoring is carried out by external consultants to monitor dust levels at quarry sites and the surrounding areas to ensure that we do not exceed the permissible limits stipulated under the MAAQS 2020 standards.

Water Management

With increasing threats of water scarcity and disruptions, Hap Seng looks to responsibly consume and manage our water resources. To ensure we do so, we have implemented extensive measures across our divisions.

Water Consumption (m^3)



The Building Materials division's water consumption data for FY2017, FY2018 and FY2019 have been restated due to changes in calculation methodology.

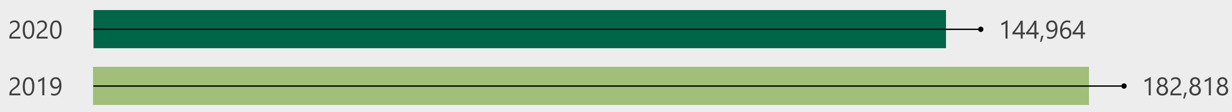
In the year under review, the Group consumed 409,415 m^3 of water as opposed to 464,734 m^3 in FY2019. This represents a 12% decrease in water consumption in FY2020. The reduction in water consumption across the Group can be attributed to prudent water consumption practices and initiatives implemented across the divisions, as well as disruptions to business activities throughout the year as a result of the MCO.

Property Investment and Development

At Hap Seng Land Sdn. Bhd., water is primarily utilised in common areas for cleaning and landscaping, and in the washrooms. In Menara Hap Seng 2 and 3, we have installed rainwater harvesting tanks to minimise reliance on piped water. Additionally, we have also fitted water-efficient dual flush toilets across all our properties to reduce unnecessary consumption.

These initiatives have resulted in a 21% decrease in water consumption for the financial year. This year, 144,964 m^3 of water was consumed as opposed to 182,818 m^3 in FY2019.

Water Consumption (m^3) by Hap Seng Land Sdn. Bhd.

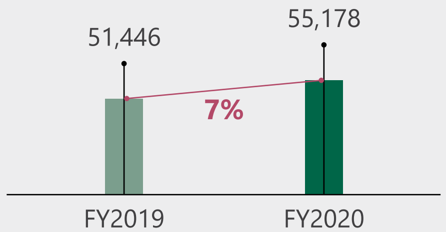


Automotive

The main use of water at Hap Seng Star Sdn. Bhd. is for cleaning and maintenance. To safeguard responsible consumption, we manage our water consumption according to ISO14001:2015 requirements and regularly monitor water usage across our operations. Furthermore, we have installed automatic faucets to prevent unwarranted wastage of water and continue to harvest rainwater for car washing and landscaping purposes.

This reporting period, we observed a 7% increase in piped water consumption across Hap Seng Star Sdn. Bhd. operations when compared to FY2019. The increase is attributed to the inclusion of our new Melaka Dealership.

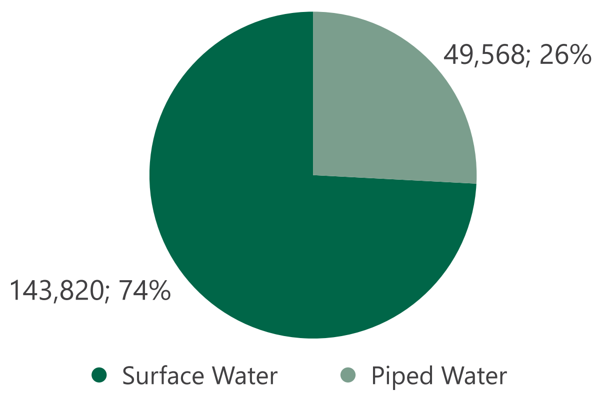
Water Consumption (m^3) by Hap Seng Star Sdn. Bhd.



Building Materials

Water is predominantly used by Hap Seng Building Materials Sdn. Bhd. for dust control measures and cleaning. We keep our reliance on piped water to a minimum by withdrawing water from surface water bodies – this year, we withdrew 143,820 m^3 of surface water, constituting 74% of our total withdrawal in FY2020.

Water withdrawn by source



To minimise unnecessary consumption, we reuse water withdrawn for dust suppression, housekeeping at quarry crushing plants and lorry washing.

Waste Management

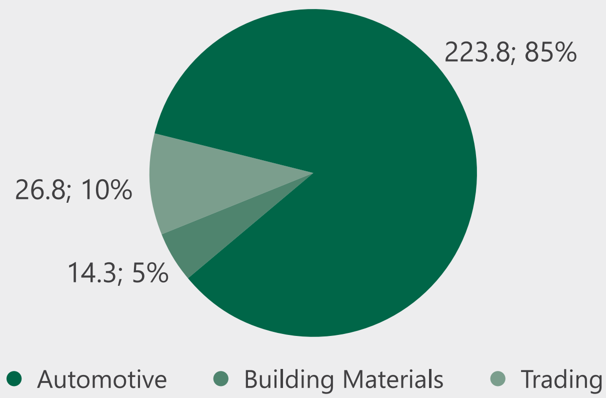
Proper management and disposal of waste is crucial in safeguarding the natural environment and public health. Therefore, we uphold best practices pertaining to waste management and adhere to the requirements of all applicable laws and regulations.

Scheduled Waste

All scheduled waste generated by the Group is managed in accordance with Environmental Quality (Scheduled Wastes) Regulations 2005 as prescribed by the Department of Environment ("DOE"). We ensure that the hazardous waste is stored in durable containers that are explicitly labelled, and are regularly collected by licensed contractors for treatment and disposal.

This year, we generated 264.9 tonnes of scheduled waste, deriving from business activities of our Automotive, Trading and Building Materials divisions.

Total scheduled waste generated (tonnes)



The types of scheduled waste generated across the three divisions include, but are not limited to:

SW102: Waste of lead acid batteries in whole or crushed form

SW305: Spent lubricating oil

SW311: Waste oil or oily sludge

SW327: Waste of thermal fluids (heat transfer such as ethylene glycol)

SW110: e-Waste

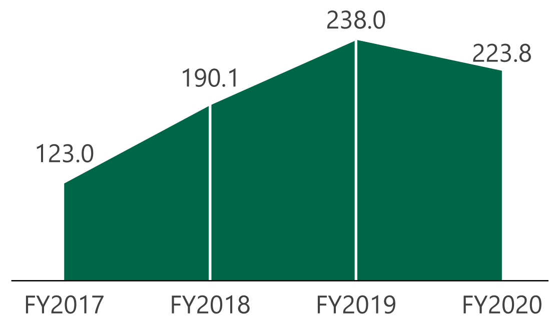
SW410: Rags, plastics, papers or filters contaminated with scheduled wastes

Automotive

Hap Seng Star Sdn. Bhd. produces scheduled waste as a result of vehicle maintenance and servicing operations undertaken at our dealerships and service centres. All scheduled waste produced are collected by DOE-approved contractors for further treatment and disposal.

This year, Hap Seng Star generated 6% less scheduled waste than in FY2019 attributable to reduced operations due to MCO restrictions.

Total scheduled waste generated (tonnes)



Non-Scheduled Waste

The Group strives to minimise its impact on the environment by optimising resource consumption and implementing 3R (Reduce, Reuse and Recycle) measures where possible. In order to reduce waste entering the landfills and disposal sites, we have undertaken the following initiatives to reduce resource consumption as well as minimise waste output:

Property Investment and Development	Automotive	Building Materials
• Digitisation of processes to reduce paper consumption: - e-Procurement System & e-Approval System - e-Contract & License Monitoring System - e-Billing System - e-Tenancy System - Facilities management application (ServeDeck) • Cloud-based information sharing system for employees in the same department	• Recycle paper boxes for repackaging • Reuse printed papers for non-official documents • Encourage two-sided printing to reduce paper consumption	• Employ equipment maintenance plans to minimise unplanned plant and equipment breakdowns

Out of the 3,028.5 tonnes of non-scheduled waste generated across our Building Materials and Property divisions, 37% was diverted from landfill.

Recovery Rates of Non-Scheduled Waste by Division

Biodiversity

Biodiversity is vital to the ecosystem and therefore, it is crucial we continue to conserve it and ensure our operations do not adversely impact flora and fauna in any way.

Property Investment and Development

Business activities under the Property division were found to have minimal impact on local biodiversity. Risks are assessed in the design stages of developments through site-specific assessments. These assessments consider factors such as vegetation, human use, waste management, topography, and hydrology.

To ensure we do not adversely impact biodiversity, mitigation efforts have been implemented. These efforts include:

- Enhanced site-specific ecological capacity by the creation of new habitats (i.e., native vegetation, softscape, hardscape, water features) that support local flora and fauna.
- Avoidance of sewage pollution, erosion, and sedimentation during construction to minimise impact on aquatic habitats and plant life.
- Implementation of a construction waste management plan – salvaged materials are to be reused or recycled to minimise impact on off-site habitats.

Building Materials

Hap Seng's quarry operations involve the stripping of topsoil and earth, potentially impacting local biodiversity. To assess the magnitude of the impact, an environmental impact assessment ("EIA") was carried out during the developmental stages of our operations by expert consultants. As part of the EIA approval process, we are required to rehabilitate our quarries by ensuring adequate landscaping, replanting and re-turfing of the quarry lands.

ECO-SOLUTIONS

Support by SDG:

We continue to utilise our intellectual capital to develop eco-solutions and incorporate latest industry innovations for our products and services wherever feasible. Our efforts can be noted across three divisions: Property, Automotive, and Building Materials.

Property Investment and Development

Our Property division subscribes to green building rating tools to ensure that we continue to construct sustainable buildings that meet industry standards. As of FY2020, we have obtained green building certifications from the Green Real Estate ("GreenRE"), Green Building Index ("GBI") and Leadership in Energy and Environmental Design ("LEED") rating tools. Hap Seng buildings within this division that are certified for GreenRE, GBI and LEED are shown beside.

Menara Hap Seng 3 -
LEED Gold certified GBI certified

Autohaus Setia Alam -
GreenRE Bronze certified

Hap Seng Business Park -
Provisional GreenRE Gold obtained

To obtain green building certifications, we have incorporated the following features in our buildings:

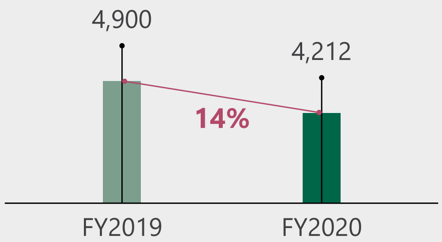
- Rainwater harvesting system for landscape irrigation
- Use of flow volatile organic compound paints
- LED bulbs for interior lighting fixtures and street lights
- Fume extraction system installed in car parks to filter toxic fumes
- Passive design for optimised natural ventilation
- Roofing materials with low Solar Reflectance Index to reduce absorption of solar radiation

Automotive

An eco-solution that we introduced in FY2017 was the installation of solar panels at the Hap Seng Star Sdn. Bhd. Kinrara dealership to reduce its dependency on electricity supply from non-renewable sources.

With process digitisation, resource consumption has reduced across Hap Seng Star Sdn. Bhd. operations. As a result of this initiative, there has been a 14% decrease in paper ream purchases made in FY2020 compared to FY2019.

Paper Reams Purchased by Hap Seng Star Sdn. Bhd.



Building Materials

We convert quarry dust through a washing process to produce manufactured sand ("m-sand"). The m-sand is sold in the market as an alternative material for river sand, thus reducing the need for river sand and protecting river ecosystems.

PEOPLE AND COMMUNITY DEVELOPMENT

OCCUPATIONAL SAFETY AND HEALTH

Support by SDG:

8 DECENT WORK AND ECONOMIC GROWTH

The Group takes health and safety matters seriously and endeavours to allay conditions and behaviours that may contribute to workplace injuries. We strive to achieve zero accidents across all our operating divisions.

Hap Seng has established Safety and Health Committees at divisions with high-risk work factors namely Automotive, Building Materials, Property, and Trading. These committees comprise of both employer and employee representatives to facilitate collaborative management of health and safety at the workplace.

Responsibilities of the Safety and Health Committees

- Assist in the development of safety and health rules and systems of work
- Review their effectiveness
- Carry out studies and investigations on dangerous occurrences, injuries or accidents at the workplace

We conduct Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and Chemical Health Risk ("CHRA") assessments to identify and manage potential workplace hazards and risks. Upon completion of these assessments, we develop a risk register to list and organise the types of hazards and risks based on their severity and likelihood of occurrence. Through these processes, we carefully develop measures to prevent risks and hazards and to secure the safety of our employees.

Malaysian Mosaics Sdn. Bhd. is OHSAS 18001:2007 certified, to better manage the safety and health of employees. Policies are reviewed regularly and training is conducted throughout the year along with safety refresher courses. Safety and health training programmes conducted this year include:

Health & Safety Training FY2020

Trading

- Basic Awareness and Understanding on ISO 45001:2018 for Steering Committee
- Emergency Spillage Training
- Contractor Safety & Health Briefing
- Internal Auditor Skill Training on ISO 45001:2018

Building Materials

- Noise Management Training
- Handling Heavy Machinneries
- Safety Data Sheet (SDS)
- Lock Out Tag Out (LOTO)
- Fire Extinguisher Training

Noise Monitoring

At our Automotive, Building Materials, Property and Trading divisions, we implement noise management measures to protect our employees from noise pollution. We comply with applicable laws and regulations, notably the Occupational Safety and Health (Noise Exposure) Regulations 2019 and the Industry Code of Practice for Management of Occupational Noise Exposure and Hearing Conservation 2019.

Measures undertaken include:

Noise Risk Assessment (NRA)
Employees complete a checklist that ask questions to help identify the possibility of excessive noise due to works conducted.

Noise Reduction Measures
Measures implemented are based on results of NRA and include:

- Engineering control: controlling distance between noise source and receiver, acoustic bunds in quarries
- Administrative control: arrange work shift/rotation in noisy areas; and
- Personal hearing protectors (PHP): these include ear plugs or ear muffs

Audiometric Testing
A baseline audiogram will be carried out within three months of the employee commencing work that would expose them to Noise Exposure Limit (NEL).

Information
Provide employees with information on the dangers of improper noise management. Set out clear instructions and conduct training programmes to ensure safety of staff.

Record Keeping
Ensure that all assessments corrective measures and policies are kept properly for efficient tracking and management of noise control.

COVID-19 Response

To reduce the impact of COVID-19 and safeguard the health of our employees and stakeholders, the Group has implemented standard operating procedures ("SOPs") and policies, aligned with the recommendations of the government, including:

- Temperature scanning
- Social distancing
- Provision of facemasks & hand sanitizers
- Implementation of MySejahtera QR Code for contact tracing
- Work-From-Home arrangements
- Staggered working hours at Menara Hap Seng
- Use of virtual meeting facilities (i.e. Microsoft Teams)
- Implementation of government-imposed SOPs

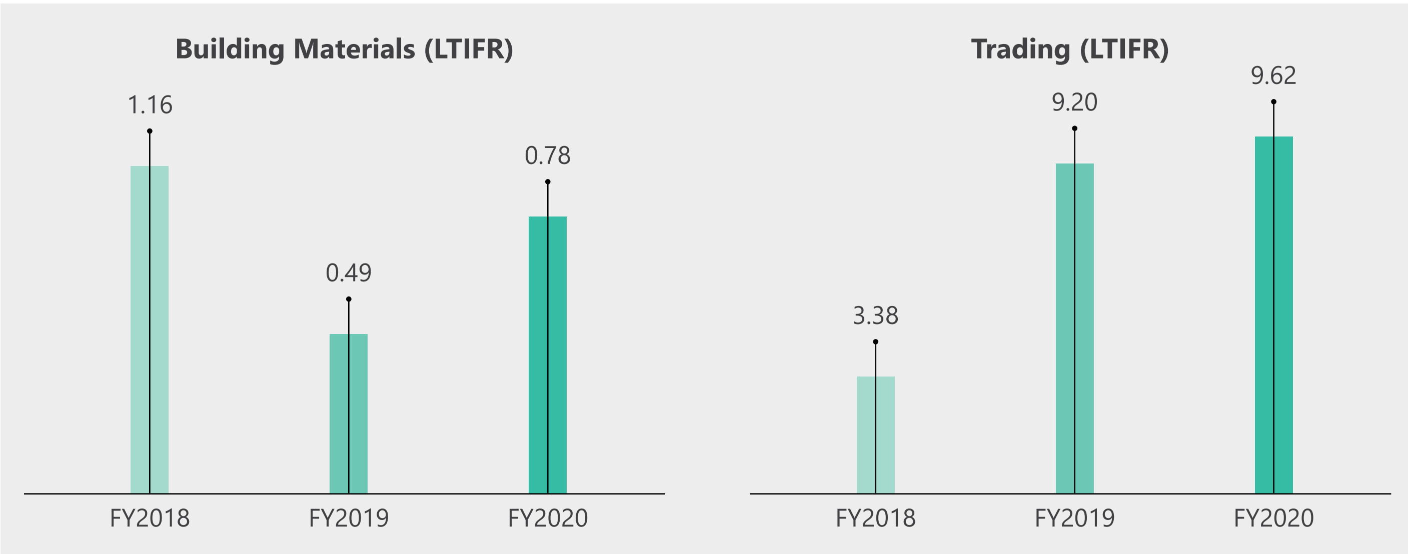
All procedures are communicated via email and memos issued by the Group Human Resource Department on a regular basis. The respective heads of divisions and departments are responsible for the implementation of SOPs and management of operations, centrally coordinated by the Group Directorate office.

Furthermore, the Group developed its own operational guidelines in May 2020 to provide employees with a document that explains the COVID-19 virus comprehensively, dangers of exposure, and the safety measures to prevent and limit the spread of the contagion.

Steps in the Management of any case of Detection of a Transmission case at the workplace

- Contact the Health Ministry's Crisis Preparedness and Response Centre
- Sanitisation of the workplace

As a result of effective implementation and measures above, the Group recorded zero fatalities in FY2020. However, as shown in the graphs below, we observed a 59% and 5 % increase in Lost Time Injury Frequency Rate ("LTIFR") at our quarry, brick, and asphalt operations (Building Materials) and Malaysian Mosaics Sdn. Bhd. (Trading), respectively. The significant increase in LTIFR at Hap Seng Building Materials Sdn. Bhd. is attributable to the decreased man-hours recorded due to a reduction in average number of employees within the division.



TALENT MANAGEMENT

Support by SDG:

8 DECENT WORK AND ECONOMIC GROWTH

The successful performance of our business is mainly attributed to the hard work of our employees. Our team is engaged, effective and goal-driven and we ensure the work environment is conducive and fair.

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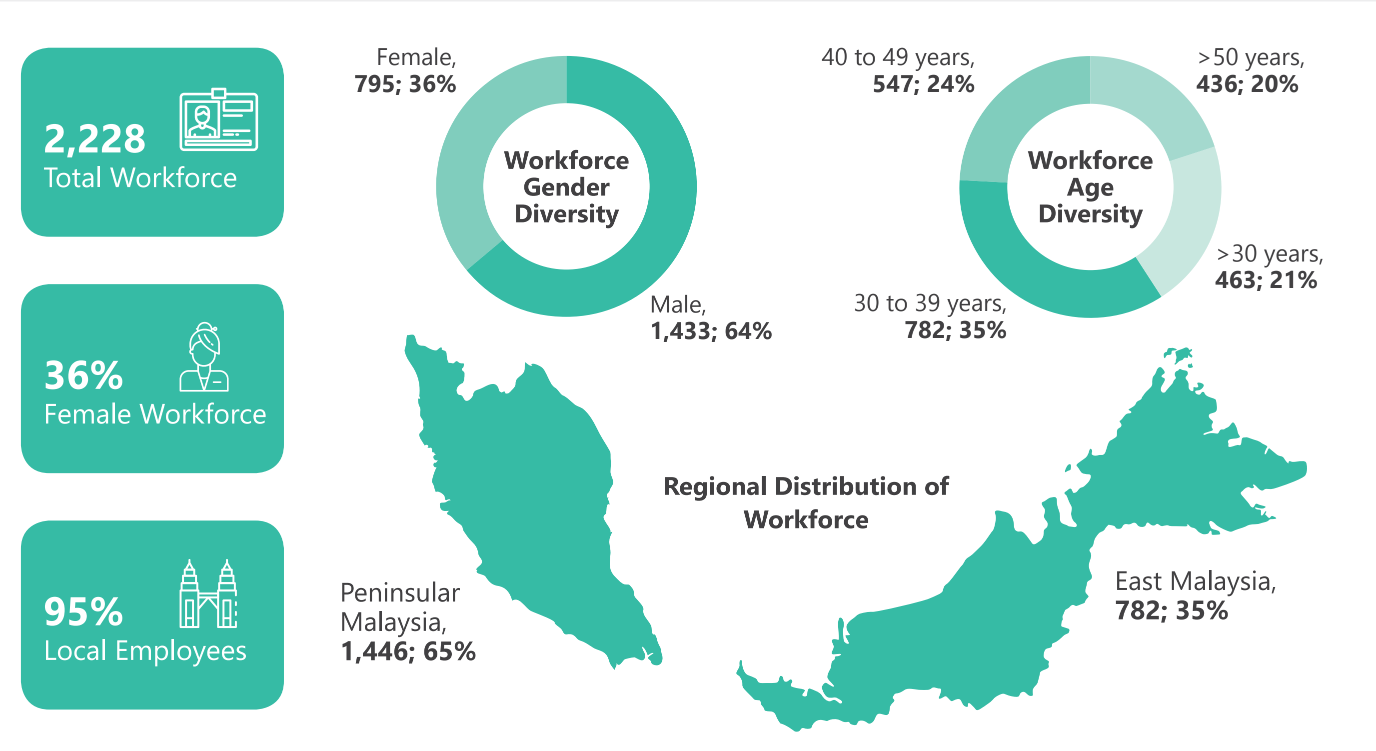
Diversity and Inclusion

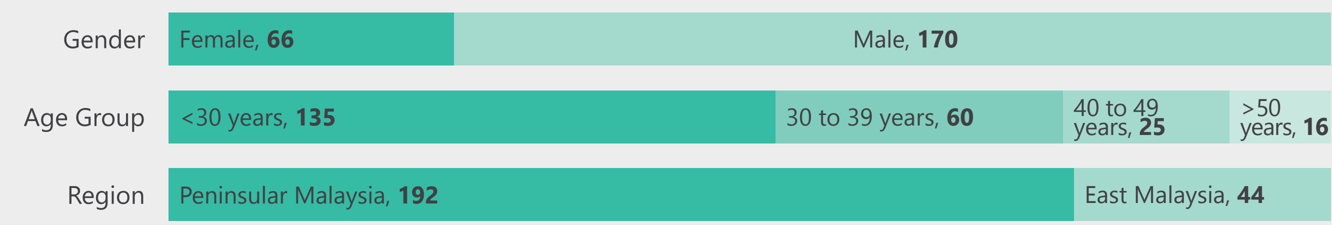
Promoting a diverse, safe, inclusive and productive work environment is essential to build a strong team and for employees to realise their full potential.

Hap Seng's Workforce



Hap Seng exercises fair hiring practices and provide employment opportunities strictly based on merit. Due to the COVID-19 pandemic, talent recruitment and retention have been challenging. We hired 236 new employees and the employee turnover rate increased from 17.5% in FY2019 to 34.4% in FY2020 due to the rationalization of operations amid the COVID-19 pandemic.

Employee New Hires



Employee Benefits

We are committed to protecting the well-being of our employees and provide fair remuneration packages. Through this, we encourage them to excel at the workplace and are able to maintain a competitive position in the market. Hap Seng employees enjoy a range of benefits including inpatient and outpatient medical benefits, personal insurance, housing allowance, and annual leave among others.

Fringe Benefits

- Medical and Hospitalisation Benefits
- Groups Personal Accident Insurance
- Long Service/Retirement Awards
- Outstation Meal, Accommodation and Travel Allowances

Leave Entitlement

- Annual Leave
- Examination Leave
- Medical Leave
- Marriage Leave
- Compassionate Leave
- Maternity Leave

Employee Engagement

Each business division conducts various employee engagement activities throughout the year, such as team lunches and birthday celebrations.

On 3 February 2020, Hap Seng Land Sdn. Bhd. held its Prosperity Chinese New Year Dinner. 130 staff attended the dinner to celebrate the special occasion. During the event, we organised games, a fashion show for the best dressed male and female, and lucky draw sessions. At the end of the night, goodie bags were distributed to employees as a token of the Group's appreciation.

With the MCO, engagement activities are now conducted virtually using online platforms (i.e., Microsoft Teams), and through the distribution of quarterly Hap Seng Group bulletins as well as posters.

Capacity Building

We provide our employees opportunities to learn and develop necessary skillsets and knowledge to excel in their careers. By investing in our employees, we maintain a competitive advantage in the marketplace.

A Training Needs Analysis is conducted at the end of each year to determine training programmes to be prioritised and organised for the upcoming year. These programmes are conducted by the respective divisions and address identified skill gaps. Training programmes conducted during the reporting period by respective divisions are listed below.

Automotive

- Product Quality Training
- Customs Regulation
- Preventive and Predictive Maintenance
- Assembly and Product Familiarisation

Building Materials

- Sustainable Development Johor Quarry
- Seminar on Amendment on IR ACT 1967
- Konvokesyen Perburuhan Sabah
- Seminar on Employment Act 1655 & Regulations
- Environmental Certification Course – Workshop (CEPSWAM)
- IT Security Audit
- Anti-Bribery & Corruption Policy
- Malaysia Budget 2021

Trading

- ISO 14001:2015 Requirements, Risk and Opportunities, Aspect Impact and Internal Auditor
- Course for Certified Environmental Professional
- Basic Awareness and Understanding on ISO 45001:2018 for Steering Committee
- Emergency Spillage Training
- ISO 45001:2018 Awareness and Understanding Training for Management Team
- Internal Audit/Auditors Skill on ISO 45001:2018 (OHSMS)
- National Tax Conference 2020
- Impact of the Current pandemic on Malaysian Financial Reporting Standards
- Anti-Bribery and Corruption Policy
- M3 Training
- MTP Level 3 User Adaption Training 1 & 2
- Malaysia Tax Summit 2020

Furthermore, employees undergo annual performance appraisals to evaluate performance for the year. In FY2020, we conducted performance appraisals for all employees.

AFFORDABLE HOUSING

Support by SDG:

In the current economic climate, buying a house has become increasingly difficult. We build homes that support the needs of low-income families

Our affordable housing projects in Sabah include Phase 5C Block 2A of Astana Height, launched in 2019 and 1,024 units constructed this year at Southville Apartment in Bandar Sri Indah Tawau. This initiative is important as it promotes inclusivity within our society and ensures that all are provided access to homes.

Many units built for affordable housing remain unsold as they do not meet the expectations or needs of homebuyers, such as connectivity to public transport and amenities. Addressing these issues, Hap Seng redesigned and reshaped the housing landscape so residents have access to a host of amenities, including long haul bus terminals, new water reservoirs, and recreational facilities.

EMPOWERING LOCAL COMMUNITIES

Support by SDG:

Hap Seng strives to create a positive long-term impact on society, beyond operating boundaries. Through a range of CSR programmes, we aim to improve the well-being and quality of life of local communities.

Christmas Bazaar for St. Theresa Hostel, Kota Marudu

In December 2019, Hap Seng organised a Christmas Charity Bazaar along with caroling activities at Plaza Shell. The event raised approximately RM3,000 which was used to purchase electric water purifiers, stationery and linens for St. Theresa Hostel. In addition to the funds raised, pre-loved items such as clothes, books and toys were collected for the children of the Hostel.

St. Theresa Hostel houses 66 children between seven and 19 years of age. The children are from homes with domestic issues, some are orphans and some victims of abuse. At the Hostel, the children receive education, accommodation, and religious and moral education.

Technical and Vocational Education and Training Sponsoring

In partnership with DreamCatcher, a technical training provider, Hap Seng Star Sdn. Bhd. financially contributed and sponsored physical classrooms for 18 students to undergo technical and vocational education. The programme aims to upskill and equip SPM graduates with the necessary professional knowledge and abilities.

Back-to-School Donation Drive

Hap Seng Land Sdn. Bhd. organised a "Back-to-School Donation Drive" to raise funds for Rumah Kasih Harmoni Paya Jara orphanage to secure school items for the children. Through this initiative, school items worth over RM4,000 were collected over one month and distributed, supporting 104 children.

Virtual CSR Programmes

Despite restrictions enforced by the Government of Malaysia to combat the spread of the contagion, we were proactive and proceeded with our capacity building programmes for youth in Sabah. Unable to meet face-to-face, we conducted a series of online sessions to engage with the participants.

We organised the 10 G.I.L.A (Growing in Leadership Action) Days programme for 145 students. The aim of the programme is to focus on the students' character development and project management. Using the 49-trait model, the Group looked to instill positive social behaviour, curb social ills, and drive improvement in leadership and performance.

Malaysian Collective Impact Initiative

As a member of the Malaysian Collective Impact Initiative ("MCII"), Hap Seng is committed to addressing education needs and creating an impact in schools and communities. This reporting period, the Group collaborated with other members of the MCII to sponsor three programmes: MYReaders programme, Science, Technology, Engineering, and Mathematics (STEM) Education, and Rite Education programme. These programmes aim to enhance student literacy and support learning across Malaysia.

Through these programmes, we have reached out to over 380 students and teachers across 20 schools. We have also seen participation from 563 parents and guardians from 13 schools. Despite the movement restrictions, these programmes were successfully organised virtually through online discussion platforms, publications and podcasts.

90% of teachers mentioned that these programmes have been helpful to schools during this period and have resulted in more positive learning attitudes among students. These programmes have also fostered leadership qualities among students that have participated.

Collaboration with Teach for Malaysia

In collaboration with Teach for Malaysia, a not-for-profit organisation which aims to provide quality education to children in Malaysia, Hap Seng organised a capacity building programme aimed at improving English education for students in Semporna, Sabah. Under the programme, four English teachers were placed in schools and reached out to a total of 600 students across these four schools.

Hap Seng Rise Up! 2020 e-Convention

The Hap Seng Rise Up! 2020 e-Convention was held on 8th August 2020 to connect with students and their families in Tawau through YouTube Live. Sharing sessions were conducted throughout the night by a series of speakers sharing on topics such as Servant Leadership, Creative Expression, Words of Wisdom and Gratitude.

The Convention included an awards ceremony for winners of the G.I.L.A programme and High Potential Hap Seng Club Students and Student Facilitators, recognised for their continuous efforts and growth.

It was well-coordinated by the emcees, with entertainment and activities such as songs, dances, and more. Highlights of the evening included showing the map of Malaysia with lights representing the different participants' locations to demonstrate 'unity and staying connected despite being physically apart'. The event closed with a heartfelt performance by the Malaysian singer-songwriter Juwita Suwito singing her song 'Stand'.

Conclusion

Despite the challenges resulting from the COVID-19 pandemic, we remain committed to our efforts of incorporating sustainable practices across our operations. We are grateful to our leadership team and employees for their zeal and determination to adapt and strengthen our business, during unprecedented and challenging times.

Looking forward, we aim to strengthen our contributions to the global agenda for sustainable development by managing our material sustainability matters, implementing best practices and collaborating with stakeholders whenever feasible. Through these initiatives, we look to realise our vision of creating value together, for a better tomorrow.

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company are responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared 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 of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

(a) used appropriate accounting policies and applied them on a consistent basis;
(b) made judgements and estimates that are reasonable and prudent; and
(c) prepared the audited financial statements on going concern basis.

The Directors are also responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016 and take reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

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 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8 to the financial statements, respectively.

Other information relating to the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8 to the financial statements, respectively.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2020 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,106,935	748,718
Tax expense	(308,090)	(138)
Profit for the year	798,845	748,580
Attributable to:		
Owners of the Company	750,179	748,580
Non-controlling interests	48,666	-
Profit for the year	798,845	748,580

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 2 July 2020, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares.

During the financial year, the Company did not purchase any of its own shares. As at 31 December 2020, the Company held total of 12,000 ordinary shares as treasury shares.

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 2020:	
- First interim dividend of 10 sen per ordinary share under the single tier system approved by the Board of Directors on 29 May 2020 and paid on 24 June 2020	248,967
- Second interim dividend of 15 sen per ordinary share under the single tier system approved by the Board of Directors on 26 November 2020 and paid on 22 December 2020	373,450
	622,417

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2020.

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:

Thomas Karl Rapp	(Appointed on 26 February 2020)
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	
Leow Ming Fong @ Leow Min Fong	
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	
Tan Boon Peng	(Appointed on 26 February 2020)
Wong Yoke Nyen	(Appointed on 1 January 2021)
Dato' Jorgen Bornhoft **	(Resigned on 26 February 2020)

** *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 Yong Siew Fah
Cheong Shan Shi
Chong Kwea Seng
Choy Khai Choon
Dato' John Chee Shi Tong
Dato' Mohammed Bin Haji Che Hussein
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir
Datuk Jasa @ Ismail Bin Rauddah
Eugene Lee Chin Jin
Harald Uwe Behrend
Khor Soo Beng
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

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)

Rosmin Bin Wan Mohamed	
Sheikh Mohd Faliq Bin Sheikh Mohamad Nasimuddin Kamal	
Stanley Chee Tze Yuan	
Sulastika	
Tan Sri Amirsham Bin A Aziz	
Terrance Tan Kong Hwa	
Thai Chong Yim	
Tong Chin Hen	
Voon Thau Vui	
Yap Chai Soon	
Yong Teak Jan @ Yong Teck Jan	
Andrew John Barber	(Appointed on 24 February 2020)
Datuk Yong Foo San	(Appointed on 26 February 2020)
Foo Yong How	(Appointed on 9 July 2020)
Lim Hin Soon	(Appointed on 12 August 2020)
Joanne Wendy Chung	(Appointed on 3 September 2020)
David Wan Young Yin	(Appointed on 28 September 2020)
Tay Eng Kiat Jackson	(Appointed on 18 December 2020)
Tai Ah Chai	(Resigned on 11 February 2020)
Calvin Yeo Chong Lok	(Resigned on 23 July 2020)
Khoo Thian Shyang	(Resigned on 12 August 2020)
Chin Szu Chiang @ Edward Chin	(Resigned on 3 September 2020)
Lee Tsan Kau	(Resigned on 28 September 2020)
Au Siew Loon	(Resigned on 30 September 2020)
Cheng Yue Kay, Michael	(Resigned on 30 September 2020)
Datuk Chia Lui Meng	(Resigned on 30 September 2020)
Bacho Bin Masdukir	(Resigned on 15 December 2020)
Chan Kien Ming	(Resigned on 18 December 2020)
Tuan Haji Pondren Bin Nawa	(Resigned on 9 February 2021)
Chow Wen Kwan, Marcus	(Retired on 22 June 2020)

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			
	As at 1.1.2020	Acquired	Sold	As at 31.12.2020
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Cheah Yee Leng	31,200	10,000	-	41,200
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 RM100 million whilst the total amount of premium paid was RM128,000.

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.

(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 PLT, 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 21 April 2021.

DATUK EDWARD LEE MING FOO, JP | **LEE WEE YONG**

STATEMENT BY DIRECTORS

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

We, **DATUK EDWARD LEE MING FOO, JP** and **LEE WEE YONG**, 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 152 to 296 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 2020 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 21 April 2021.

DATUK EDWARD LEE MING FOO, JP

LEE WEE YONG

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 152 to 296 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 21 April 2021.

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 2020 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 152 to 296.

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 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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. The key audit matters for the audit of the financial statements of the Group and of the Company are described below. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

Key audit matters (continued)

Key audit matters in respect of financial statements of the Group

(a) Property development revenue and profit recognition

Revenue from property development activities during the year amounted to RM413 million, which represented 7% of the Group's total revenue for the financial year ended 31 December 2020 is recognised based on the 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 obtained 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 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 auditors in addressing this area of focus.

The notes relating to property development costs are disclosed in Notes 2.18, 3.2(d), 14 and 27 to the financial statements.

Key audit matters (continued)

Key audit matters in respect of the financial statements of the Group (continued)

(b) Valuation of investment properties

As at 31 December 2020, the carrying amount of investment properties of the Group is RM1.9 billion, which represented 21% of the total non-current assets of the Group. The Group carries its investment properties at fair value as disclosed in Note 5 to the financial statements. The management uses independent valuers to support its determination of the fair value of the investment properties annually.

We identified the valuation of the investment properties as an area of audit focus as such valuation involves significant judgement and estimates that are highly subjective.

The key judgement and estimates used in the valuation of investment properties are rental rate, discount rate and reversionary rate.

The Group recognised a net gain from changes in fair value of RM59 million for the financial year ended 31 December 2020 as disclosed in Note 5 to the financial statements.

In addressing this area of focus, we performed, amongst others, the following procedures:

- We assessed the valuers' independence, competency and objectivity;
- We obtained an understanding of the valuation methodologies used by the valuers in determining the fair values of investment properties and assessed whether the valuation methodologies are consistent with those used in prior year and whether it is commonly used for the type of investment property being valued;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others, rental income data and yield rate;
- We assessed the reasonableness of the property related data by corroborating those data used in the valuation to available market data;
- We tested the accuracy of rental income data applied in the valuation by comparing them with lease agreements and challenged the yield rate by comparing them with available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and held further discussions with the valuers; and
- We assessed whether the discount rate used to determine the present value of the cash flows reflects the estimated market rate of return for comparable assets with similar profile.

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 5 to the financial statements.

The notes relating to investment properties are disclosed in Notes 2.9, 3.2(c), 5 and 40(b) to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

Key audit matters (continued)

Key audit matters in respect of the financial statements of the Group (continued)

(c) 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 RM1.2 billion and RM1.8 billion respectively. MFRS 9 'Financial instruments' requires the Group's impairment losses for trade receivables to be based on expected credit loss ("ECL") 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 impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic in the measurement of ECL. In determining ECL, management judgement is applied, using objective, reasonable and supportable information about forecast economic conditions.

The assessment of ECL on hire purchase receivables and loan receivables is an area of audit focus as the assessment involved significant judgement and estimates 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 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

Key audit matters (continued)

Key audit matters in respect of the financial statements of the Group (continued)

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

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 is not complete or accurate.

As at 31 December 2020, the Group has recognised RM36.8 million in allowance for expected credit losses for hire purchase receivables and loan receivables.

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

- evaluation of the controls over the implementation of the 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 the calculation of PD and LGD; 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 2.16, 3.2(e), 11 and 41(d)(i) to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

Key audit matters (continued)

Key audit matter in respect of the financial statements of the Company

(a) Impairment assessment of investment in subsidiaries

As at 31 December 2020, the carrying amount of the investment in subsidiaries of the Company amounted to RM4.3 billion, representing 98% and 75% of the Company's total non-current assets and total assets respectively.

At the reporting date, the Company reviewed its investment in subsidiaries for indicators of impairment and where such indicators exist, the Company performed an impairment assessment to determine the recoverable amounts of such investments. The Company estimated the recoverable amount of the respective cash generating units ("CGU"s) based on higher of its fair value less cost to sell and its value-in-use. The management uses independent valuers to support its determination of the impairment assessment of investment in subsidiaries.

We consider this to be an area of focus for our audit as the amounts involved are significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in assumptions may lead to a significant change in the recoverable amount of the investment in subsidiaries.

Our procedures to address this area of focus included, amongst others, the following:

- We assessed the valuers' independence, competency and objectivity;
- We obtained an understanding of the valuation methologies used by the valuers in determining the fair values of non-current assets and assessed whether the valuation methology is consistent with those used in prior year and whether it is commonly used for the type of non-current assets being valued to arrive at the adjusted net assets of subsidiary;
- We had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models which included, amongst others are the adjustments for size, location, category of land use, tenure and transaction date; and
- We assessed the reasonableness of the non-current assets related data by corroborating those data used in the valuation to available market data.

We also reviewed and assessed the Company's disclosures relating to the impairment of assessment of investment in subsidiaries in Note 2.10, 3.2(a)(ii) and 6.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(INCORPORATED IN MALAYSIA)

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 6 to the financial statements.

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
21 April 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets					
Property, plant and equipment	4	**3,385,120**	3,529,565	**565**	961
Investment properties	5	**1,912,593**	1,851,957	**-**	-
Investment in subsidiaries	6	**-**	-	**4,340,794**	4,524,858
Investment in associates	7	**462,020**	469,185	**68,277**	70,764
Investment in joint ventures	8	**8,066**	8,760	**-**	-
Land held for property development	9	**1,304,291**	1,311,767	**-**	-
Intangible assets	10	**38,038**	43,803	**-**	-
Trade and other receivables	11	**1,712,296**	2,187,918	**-**	-
Other financial assets	12	**16,264**	21,091	**-**	-
Deferred tax assets	24	**106,928**	70,634	**-**	-
		8,945,616	9,494,680	**4,409,636**	4,596,583
Current assets					
Inventories	13	**1,437,321**	1,779,121	**-**	-
Property development costs	14	**905,282**	1,084,535	**-**	-
Biological assets	15	**33,960**	25,714	**-**	-
Trade and other receivables	11	**2,741,765**	2,104,925	**266,206**	172,284
Contract assets	16	**113,738**	461,935	**-**	-
Tax recoverable		**38,119**	32,577	**5,478**	4,750
Other financial assets	12	**69,241**	81,835	**-**	-
Money market deposits	17	**2,024,048**	1,217,369	**1,091,470**	893,874
Cash and bank balances	18	**960,872**	1,090,193	**45,568**	160,253
		8,324,346	7,878,204	**1,408,722**	1,231,161
Total assets		**17,269,962**	17,372,884	**5,818,358**	5,827,744

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Equity attributable to owners of the Company					
Share capital	25	**3,519,554**	3,519,554	**3,519,554**	3,519,554
Reserves	26	**3,964,887**	3,820,725	**2,110,890**	1,984,727
		7,484,441	7,340,279	**5,630,444**	5,504,281
Less: Treasury shares	25	**(113)**	(113)	**(113)**	(113)
		7,484,328	7,340,166	**5,630,331**	5,504,168
Non-controlling interests	6(a)	**1,173,265**	1,278,690	**-**	-
Total equity		**8,657,593**	8,618,856	**5,630,331**	5,504,168
Non-current liabilities					
Trade and other payables	19	**174,218**	180,061	**-**	-
Employee benefits	21	**2,813**	4,054	**-**	-
Borrowings	22	**3,306,761**	2,953,537	**-**	-
Lease liabilities	23	**98,635**	111,134	**8**	-
Other financial liabilities	12	**-**	2,267	**-**	-
Deferred tax liabilities	24	**487,669**	480,207	**1**	15
		4,070,096	3,731,260	**9**	15
Current liabilities					
Trade and other payables	19	**878,351**	1,273,077	**188,002**	323,561
Contract liabilities	16	**34,054**	42,177	**-**	-
Provisions	20	**251,992**	146,770	**-**	-
Tax payable		**142,570**	91,630	**-**	-
Borrowings	22	**3,183,894**	3,427,649	**-**	-
Lease liabilities	23	**28,230**	27,189	**16**	-
Other financial liabilities	12	**23,182**	14,276	**-**	-
		4,542,273	5,022,768	**188,018**	323,561
Total liabilities		**8,612,369**	8,754,028	**188,027**	323,576
Total equity and liabilities		**17,269,962**	17,372,884	**5,818,358**	5,827,744

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

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	27	**5,850,326**	7,096,067	**723,307**	1,171,063
Cost of sales	27	**(4,120,632)**	(5,392,192)	**-**	-
Gross profit		**1,729,694**	1,703,875	**723,307**	1,171,063
Other operating income		**261,227**	154,543	**67,063**	23,504
Distribution costs		**(209,574)**	(249,618)	**-**	-
Administrative expenses		**(339,367)**	(302,517)	**(24,500)**	(27,878)
Other operating expenses		**(202,067)**	(147,143)	**(2,032)**	(18,280)
		1,239,913	1,159,140	**763,838**	1,148,409
Finance costs	28	**(247,118)**	(262,349)	**(12,866)**	(9,496)
Other gain items	29	**179,901**	578,023	**179,901**	92,077
Other loss items	29	**(87,764)**	(27,886)	**(182,155)**	(53,821)
Share of results of associates	7	**23,104**	30,386	**-**	-
Share of results of joint ventures	8	**(1,101)**	(501)	**-**	-
Profit before tax	30	**1,106,935**	1,476,813	**748,718**	1,177,169
Tax expense	33	**(308,090)**	(257,388)	**(138)**	(790)
Profit for the year		**798,845**	1,219,425	**748,580**	1,176,379
Profit attributable to:					
Owners of the Company		**750,179**	1,162,871	**748,580**	1,176,379
Non-controlling interests	6(a)	**48,666**	56,554	**-**	-
		798,845	1,219,425	**748,580**	1,176,379
Earnings per share (sen)					
Basic	34	**30.13**	46.71		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year	**798,845**	1,219,425	**748,580**	1,176,379
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	**3,980**	10,024	**-**	-
Share of foreign currency translation differences of associates	**(2,747)**	5,917	**-**	-
Share of foreign currency translation differences of joint ventures	**335**	(208)	**-**	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	**-**	13,285	**-**	-
Change in fair value of cash flow hedge	**5,267**	2,312	**-**	-
	6,835	31,330	**-**	-
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit liabilities	**(167)**	(64)	**-**	-
	(167)	(64)	**-**	-
Total other comprehensive income for the year, net of tax	**6,668**	31,266	**-**	-
Total comprehensive income for the year, net of tax	**805,513**	1,250,691	**748,580**	1,176,379
Total comprehensive income attributable to:				
Owners of the Company	**756,164**	1,194,782	**748,580**	1,176,379
Non-controlling interests	**49,349**	55,909	**-**	-
	805,513	1,250,691	**748,580**	1,176,379

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2019	3,519,554	119,629	3,377,698	3,497,327	(93)	7,016,788	1,268,320	8,285,108
Profit for the year	-	-	1,162,871	1,162,871	-	1,162,871	56,554	1,219,425
Foreign currency translation differences for foreign operations	-	10,125	-	10,125	-	10,125	(101)	10,024
Share of foreign currency translation differences of associates	-	6,124	-	6,124	-	6,124	(207)	5,917
Share of foreign currency translation differences of joint ventures	-	(106)	-	(106)	-	(106)	(102)	(208)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	13,285	-	13,285	-	13,285	-	13,285
Change in fair value of cash flow hedge	-	2,547	-	2,547	-	2,547	(235)	2,312
Remeasurement loss on defined benefit liabilities	-	-	(64)	(64)	-	(64)	-	(64)
Total other comprehensive income for the year	-	31,975	(64)	31,911	-	31,911	(645)	31,266
Total comprehensive income for the year	-	31,975	1,162,807	1,194,782	-	1,194,782	55,909	1,250,691
Purchase of treasury shares	-	-	-	-	(20)	(20)	-	(20)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(3)	(3)
Dividends (Note 35)	-	-	(871,384)	(871,384)	-	(871,384)	-	(871,384)
Dividends paid/payables to non-controlling interests	-	-	-	-	-	-	(45,536)	(45,536)
At 31 December 2019	3,519,554	151,604	3,669,121	3,820,725	(113)	7,340,166	1,278,690	8,618,856
	Note 25			Note 26	Note 25			

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2020	3,519,554	151,604	3,669,121	3,820,725	(113)	7,340,166	1,278,690	8,618,856
Profit for the year	-	-	750,179	750,179	-	750,179	48,666	798,845
Foreign currency translation differences for foreign operations	-	3,302	-	3,302	-	3,302	678	3,980
Share of foreign currency translation differences of associates	-	(2,411)	-	(2,411)	-	(2,411)	(336)	(2,747)
Share of foreign currency translation differences of joint ventures	-	170	-	170	-	170	165	335
Change in fair value of cash flow hedge	-	5,091	-	5,091	-	5,091	176	5,267
Remeasurement loss on defined benefit liabilities	-	-	(167)	(167)	-	(167)	-	(167)
Total other comprehensive income for the year	-	6,152	(167)	5,985	-	5,985	683	6,668
Total comprehensive income for the year	-	6,152	750,012	756,164	-	756,164	49,349	805,513
Changes in ownership interest in subsidiaries (Note 6)	-	-	10,415	10,415	-	10,415	(104,629)	(94,214)
Dividends (Note 35)	-	-	(622,417)	(622,417)	-	(622,417)	-	(622,417)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(50,145)	(50,145)
At 31 December 2020	3,519,554	157,756	3,807,131	3,964,887	(113)	7,484,328	1,173,265	8,657,593
	Note 25			Note 26	Note 25			

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital RM'000	Reserves Distributable Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
Company				
At 1 January 2019	3,519,554	1,679,732	(93)	5,199,193
Profit for the year	-	1,176,379	-	1,176,379
Purchase of treasury shares	-	-	(20)	(20)
Dividends (Note 35)	-	(871,384)	-	(871,384)
At 31 December 2019/1 January 2020	**3,519,554**	**1,984,727**	**(113)**	**5,504,168**
Profit for the year	**-**	**748,580**	**-**	**748,580**
Dividends (Note 35)	**-**	**(622,417)**	**-**	**(622,417)**
At 31 December 2020	**3,519,554**	**2,110,890**	**(113)**	**5,630,331**
	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 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before tax	**1,106,935**	1,476,813	**748,718**	1,177,169
Adjustments for:				
Depreciation of property, plant and equipment	**208,992**	209,102	**434**	428
Amortisation of intangible assets	**1,564**	9,044	**-**	-
Property, plant and equipment written off	**21,892**	6,078	**-**	-
Investment properties written off	**-**	318	**-**	-
Biological assets written off	**41**	-	**-**	-
Bad debts written off	**90**	129	**-**	-
Employee benefits	**(1,028)**	852	**-**	-
Loss on equity investment at fair value through profit or loss	**1,614**	8,348	**-**	-
Net gains from fair value adjustments of investment properties	**(58,845)**	(25,566)	**-**	-
Net gain from fair value adjustments of biological assets	**(8,287)**	(9,277)	**-**	-
Loss/(gain) on money market deposits at fair value	**2,306**	(9)	**1,598**	278
Impairment loss on investment in associates	**7,175**	-	**2,487**	-
Impairment loss on investment in a subsidiary	**-**	-	**102,041**	25,935
Impairment loss on property, plant and equipment	**64,579**	3,920	**-**	-
Impairment loss on intangible assets - goodwill	**4,201**	-	**-**	-
Impairment loss on trade and other receivables	**45,897**	29,481	**-**	-
Net inventories written down	**63,768**	22,434	**-**	-
Reversal of provisions	**(13,667)**	-	**-**	-
Reversal of impairment loss on investment in associates	**-**	(14,138)	**-**	(226)
Reversal of impairment loss on trade and other receivables	**(9,238)**	(8,673)	**-**	-
Gain on disposal of property, plant and equipment	**(209)**	(5,545)	**-**	(95)
Gain on disposal of subsidiaries	**-**	(472,034)	**-**	-
Loss on disposal of equity interest in a subsidiary	**-**	-	**1,239**	-
Interest expense	**247,118**	262,349	**12,866**	9,496
Interest income	**(43,397)**	(28,570)	**(3,385)**	(2,742)
Dividend income	**(40,860)**	(32,389)	**(742,577)**	(1,185,303)
Profit guarantee shortfall receivable from holding company	**(179,901)**	(91,851)	**(179,901)**	(91,851)
Contingent consideration	**76,388**	27,886	**76,388**	27,886
Share of results of associates	**(23,104)**	(30,386)	**-**	-
Share of results of joint ventures	**1,101**	501	**-**	-
Unrealised foreign exchange (gain)/loss	**(6,851)**	17,544	**(7,557)**	17,574
Operating profit/(loss) before changes in working capital	**1,468,274**	1,356,361	**12,351**	(21,451)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Operating profit/(loss) before changes in working capital	**1,468,274**	1,356,361	**12,351**	(21,451)
Changes in working capital:				
Inventories	**515,650**	266,192	**-**	-
Property development costs	**(48,757)**	(165,078)	**-**	-
Loan receivables	**60,692**	(389,598)	**-**	-
Receivables	**(243,044)**	(33,810)	**(81,117)**	(3,414)
Contract assets	**369,724**	(253,329)	**-**	-
Payables	**(397,609)**	177,810	**(135,318)**	12,472
Contract liabilities	**(8,123)**	42,177	**-**	-
Provisions	**118,889**	101,527	**-**	-
Cash flows generated from/(used in) operations	**1,835,696**	1,102,252	**(204,084)**	(12,393)
Income tax paid	**(303,004)**	(279,726)	**(880)**	(1,525)
Income tax refunded	**11,184**	33,311	**-**	-
Interest paid	**(256,799)**	(287,583)	**(13,107)**	(9,251)
Interest received	**16,972**	17,783	**3,245**	2,759
Net changes in land held for property development	**83,401**	(219,885)	**-**	-
Net cash flows generated from/(used in) operating activities	**1,387,450**	366,152	**(214,826)**	(20,410)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**4,651**	19,175	**-**	95
Proceeds from disposal of equity investment at fair value through profit or loss	**8,475**	117,163	**-**	-
Proceeds from redemption of equity investment at fair value through other comprehensive income	**-**	3,000	**-**	-
Proceeds from disposal of interest in a subsidiary (Note 6(c))	**18,138**	-	**18,138**	-
Proceeds from issuance of shares to non-controlling interests	**9**	-	**-**	-
Proceeds from overpayment of land premium	**5,608**	-	**-**	-
Disposal of subsidiaries (Note 6(b))	**-**	606,210	**-**	-
Dividends received from subsidiaries	**-**	-	**714,787**	1,165,326
Dividends received from associates	**20,347**	21,843	**8,520**	5,737
Dividends received from a joint venture	**85**	74	**-**	-

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash flows from investing activities (continued)				
Dividends received from equity investment at fair value through other comprehensive income	**-**	1,080	**-**	-
Dividends received from equity investment at fair value through profit or loss	**3,560**	9,229	**-**	-
Dividends received from money market deposits	**35,572**	22,490	**19,270**	14,240
Profit guarantee shortfall received from holding company	**91,851**	175,307	**91,851**	175,307
Purchase of property, plant and equipment	**(135,881)**	(265,087)	**(8)**	(9)
Purchase of equity investment at fair value through profit or loss	**-**	(204,674)	**-**	-
Acquisition of a joint venture	**-**	(1,900)	**-**	-
Acquisition of shares from non-controlling interests (Note 6(c))	**(112,361)**	-	**-**	-
Additions to investment properties	**(77,908)**	(231,415)	**-**	-
Increase in money market deposits	**(808,985)**	(190,644)	**(189,786)**	(92,985)
Increase in investment in subsidiaries	**-**	-	**(179,561)**	(391,153)
Capital reduction in a subsidiary	**-**	-	**242,207**	-
Net cash flows (used in)/generated from investing activities	**(946,839)**	81,851	**725,418**	876,558
Cash flows from financing activities				
Dividends paid	**(622,417)**	(871,384)	**(622,417)**	(871,384)
Dividends paid to non-controlling interests	**(50,145)**	(26,936)	**-**	-
Shares repurchased at cost	**-**	(23)	**-**	(20)
Net drawdown of borrowings (Note 22)	**128,524**	967,074	**-**	-
Payment of lease liabilities	**(32,691)**	(35,648)	**(6)**	-
Net cash flows (used in)/generated from financing activities	**(576,729)**	33,083	**(622,423)**	(871,404)
Net (decrease)/increase in cash and cash equivalents	**(136,118)**	481,086	**(111,831)**	(15,256)
Effects on exchange rate changes on cash and cash equivalents	**6,797**	(4,525)	**(2,854)**	447
Cash and cash equivalents as at 1 January	**1,090,193**	613,632	**160,253**	175,062
Cash and cash equivalents as at 31 December (Note 18)	**960,872**	1,090,193	**45,568**	160,253

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 6, 7 and 8, respectively. There have been no significant changes in the nature of these activities during the financial year.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 April 2021.

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

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

2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the changes arising from the adoption of the following MFRS and amendments that are mandatory for annual periods beginning on or after 1 January 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

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

The Group has also early adopted the Amendment to MFRS, 16 Leases (COVID-19 Related Rent Concessions) issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

Lessee

Under MFRS 16, rent concessions often meet the definition of a lease modification, unless they were envisaged in the original lease agreement. In response to the COVID-19 pandemic, MASB has issued Amendment to MFRS 16, Leases (COVID-19 Related Rent Concessions) that introduces an optional practical expedient to simplify how lessees account for rent concessions as a direct consequence of the COVID-19 pandemic.

The Group has applied the optional practical expedient by electing not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. As a result, the Group has treated the rent concessions as variable lease payments and the impact is not material to the financial statements.

Lessor

As for the COVID-19 rent concession under lessor assessment for lease modification, the Group has treated the modification to its operating lease as a new lease from the effective date of the modification and recognise the lease payments on a straight-line basis.

The adoption of the amendments other than stated above do not have any material impact on the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Standards/Amendments	Effective date
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)	1 January 2022
Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)	1 January 2022
Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018−2020)	1 January 2022
MFRS 17, Insurance Contracts and Amendments to MFRS 17, Insurance Contracts	1 January 2023
Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2023
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

The Group and the Company plan to adopt the abovementioned accounting standards or amendments when they become effective in the respective financial periods. The Group and the Company do not expect material impact on the financial statements in the period of initial application.

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:

Buildings	10 to 50 years
Roads and infrastructure (except quarry infrastructure)	10 to 100 years
Plant and equipment	
- Plant and machinery	4 to 20 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years
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 produce growing on 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures (continued)

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

When the Group's interest in an associate or a joint venture decreases but does not result in a loss of significant influence or joint control, any retained interest is not 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 lower of cost and net realisable value.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

(a) Goodwill

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

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

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

2.14 Impairment of non-financial assets

The Group and the Company assess 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 and the Company make an estimate of the asset's recoverable amount.

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

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

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

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

2.15 Financial assets

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Initial recognition and measurement (continued)

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.

The Group's and the Company's business model for managing financial assets refers to how they manage their 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.

This category includes derivative instruments.

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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's or the Company's statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group and the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Derecognition (continued)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a passthrough arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.16 Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ["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.

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 11

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventories

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

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

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

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

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

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

2.18 Property development costs

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

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

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

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

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

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as contract assets in relation to property development and the excess of billings to purchasers over revenue recognised in profit or loss is classified as contract liabilities in relation to property development.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Contract assets and contract liabilities

A contract asset is the right of the Group to consideration in exchange for goods or services that it has transferred to the customer when that right is conditional upon future performance but not through the passage of time. If the Group has performed its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised and presented net of any amounts that has been recognised as receivables. Contract asset is presented as the excess of cumulative revenue earned or recognised in profit or loss over the billings to date to the customer. Contract assets are subject to impairment assessment in accordance of MFRS 9: Financial Instruments.

A contract liability is the obligation of the Group to transfer goods and services to a customer for which it has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional before it transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs its obligation under the contract. Contract liability is the excess of the billings to date to the customer over the cumulative revenue earned or recognised in profit or loss. Contract liabilities include advance payment and down payments received from customers and other amounts where the Group has billed before the goods are delivered or services are provided to the customers.

2.20 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.

2.21 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 and the Company's cash management.

2.22 Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and other income

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 and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have 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 and the Company consider 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 and the Company estimate 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 and the Company receive short-term advances from its customers. Using the practical expedient in MFRS 15, the Group and the Company do 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.

(a) Sale of plantation produce

Revenue from sale of plantation produce are derived from sales of crude palm oil, palm kernel and fresh fruit bunches. Revenue from sale of plantation produce is recognised at a point in time when control of the goods is transferred to the customer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and other income (continued)

(b) 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.

(c) Sale of properties under development

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

(d) Sale of land and completed properties

Revenue from sale of land and completed properties held for resale is recognised in profit or loss when the significant control has been transferred to the buyer.

Revenue from other sources

(a) Dividend income

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

(b) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue and other income (continued)

Revenue from other sources (continued)

(c) 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.

Interest income

Interest income is recognised using the effective interest method.

2.24 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.

2.25 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 and the Company. 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 and the Company participate 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(c) Defined benefit plans

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

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

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

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

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

(d) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(c) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	59 to 999 years
Prepaid lease payments	12 to 87 years
Rented land	2 to 60 years
Buildings	1 to 10 years
Plant and equipment	
- Office equipment, furniture, fixtures and fittings	1 to 6 years
- Motor vehicles	1 to 5 years
Roads and infrastructure	5 to 10 years

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change their assessment of whether they will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate the finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all taxable 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.

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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

Initial recognition and subsequent measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial liabilities (continued)

Initial recognition and subsequent measurement (continued)

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

(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.

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of 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 12 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 and the Company present assets and liabilities in statements 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), Note 5 and Note 12
(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:

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) 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.

(i) Property, plant and equipment

During the financial year, the Group recognised an impairment loss on property, plant and equipment of RM64,579,000 (2019: RM3,920,000). The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivity analysis, are disclosed in Note 4.

(ii) Investment in subsidiaries

During the financial year, the Company recognised an impairment loss on investment in a subsidiary of RM102,041,000 (2019: RM25,935,000) as disclosed in Note 6.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(b) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ["IBR"] to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(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 5.

(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 14.

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

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.

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 11.

(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 2020, the Group has deferred tax assets of RM106,928,000 (2019: RM70,634,000).

(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 11(b)(i) and 11(b)(ii).

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold 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	Right-of-use assets RM'000	Total RM'000
Group								
At cost								
At 1 January 2019	152,742	1,069,533	307,510	1,388,619	27,526	710,294	1,802,880	5,459,104
Disposal of a subsidiary	-	-	-	(19)	-	-	-	(19)
Additions	-	78,845	5,853	50,098	86,015	23,682	37,270	281,763
Reclassifications	-	14,672	20,399	19,413	(54,484)	-	-	-
Transfer from investment properties (Note 5)	2,237	3,006	-	-	-	-	-	5,243
Modifications	-	-	-	-	-	-	(38,715)	(38,715)
Derecognition	-	(42)	-	(12,376)	-	-	(8,073)	(20,491)
Disposals	-	(135)	(217)	(62,357)	-	-	-	(62,709)
Written off	-	(484)	-	(27,280)	-	(179,723)	(1,800)	(209,287)
Exchange differences	-	351	-	(205)	-	-	254	400
At 31 December 2019/ 1 January 2020	**154,979**	**1,165,746**	**333,545**	**1,355,893**	**59,057**	**554,253**	**1,791,816**	**5,415,289**
Additions	**-**	**488**	**5,544**	**49,287**	**58,553**	**22,009**	**26,371**	**162,252**
Reclassifications	**-**	**1,770**	**17,340**	**31,865**	**(41,042)**	**-**	**(9,933)**	**-**
Transfer from/(to) investment properties (Note 5)	**17,356**	**48,688**	**-**	**-**	**-**	**-**	**(2,353)**	**63,691**
Transfer from inventories	**-**	**160**	**-**	**-**	**-**	**-**	**-**	**160**
Transfer to land held for property development (Note 9)	**-**	**(2,201)**	**(1,089)**	**(630)**	**-**	**(269)**	**(58,945)**	**(63,134)**
Modifications	**-**	**-**	**-**	**-**	**-**	**-**	**(20,290)**	**(20,290)**
Derecognition	**-**	**(5,608)**	**-**	**-**	**-**	**-**	**-**	**(5,608)**
Disposals	**-**	**(54)**	**-**	**(18,407)**	**-**	**-**	**-**	**(18,461)**
Written off	**-**	**(409)**	**(142)**	**(163,745)**	**-**	**(2,422)**	**-**	**(166,718)**
Exchange differences	**-**	**696**	**-**	**128**	**-**	**-**	**619**	**1,443**
At 31 December 2020	**172,335**	**1,209,276**	**355,198**	**1,254,391**	**76,568**	**573,571**	**1,727,285**	**5,368,624**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold 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	Right-of-use assets RM'000	Total RM'000
Group (continued)								
Accumulated depreciation/ impairment loss								
At 1 January 2019	-	245,487	108,859	936,322	-	467,907	185,129	1,943,704
Disposal of a subsidiary	-	-	-	(6)	-	-	-	(6)
Depreciation for the year (Note 30)	-	38,045	16,089	78,864	-	20,862	55,242	209,102
Impairment loss for the year	-	-	-	2,325	-	-	1,595	3,920
Reclassifications	-	-	(1,181)	1,181	-	-	-	-
Modifications	-	-	-	-	-	-	(10,547)	(10,547)
Derecognition	-	(24)	-	(5,639)	-	-	(2,601)	(8,264)
Disposals	-	(58)	(217)	(48,804)	-	-	-	(49,079)
Written off	-	(286)	-	(24,010)	-	(177,983)	(930)	(203,209)
Exchange differences	-	41	-	(4)	-	-	66	103
At 31 December 2019/ 1 January 2020	**-**	**283,205**	**123,550**	**940,229**	**-**	**310,786**	**227,954**	**1,885,724**
Depreciation for the year (Note 30)	**-**	**37,608**	**14,994**	**76,342**	**-**	**19,622**	**60,426**	**208,992**
Impairment loss for the year	**-**	**4,136**	**4,276**	**50,014**	**-**	**-**	**6,153**	**64,579**
Reclassifications	**-**	**-**	**746**	**-**	**-**	**-**	**(746)**	**-**
Transfer to investment properties (Note 5)	**-**	**(1,560)**	**-**	**-**	**-**	**-**	**(20)**	**(1,580)**
Modifications	**-**	**-**	**-**	**-**	**-**	**-**	**(15,571)**	**(15,571)**
Disposals	**-**	**(49)**	**-**	**(13,970)**	**-**	**-**	**-**	**(14,019)**
Written off	**-**	**(141)**	**(142)**	**(143,691)**	**-**	**(852)**	**-**	**(144,826)**
Exchange differences	**-**	**139**	**-**	**4**	**-**	**-**	**62**	**205**
At 31 December 2020	**-**	**323,338**	**143,424**	**908,928**	**-**	**329,556**	**278,258**	**1,983,504**
Net carrying amount								
At 31 December 2019								
- Own use	142,680	822,854	209,995	396,798	59,057	243,467	1,563,862	3,438,713
- Held under operating lease	12,299	59,687	-	18,866	-	-	-	90,852
	154,979	882,541	209,995	415,664	59,057	243,467	1,563,862	3,529,565
At 31 December 2020								
- Own use	**160,036**	**828,221**	**211,774**	**337,769**	**76,568**	**244,015**	**1,449,027**	**3,307,410**
- Held under operating lease	**12,299**	**57,717**	**-**	**7,694**	**-**	**-**	**-**	**77,710**
	172,335	**885,938**	**211,774**	**345,463**	**76,568**	**244,015**	**1,449,027**	**3,385,120**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM162,252,000 (2019: RM281,763,000) which are satisfied by the following:

	Group	
	2020 RM'000	**2019 RM'000**
Cash payments on purchase of property, plant and equipment	**135,881**	265,087
Additions of right-of-use assets by way of lease commitment	**26,371**	16,676
	162,252	281,763

(b) 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. 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% (2019: 12%).

Based on the impairment assessment, the Group recorded total impairment loss of RM64,579,000 (2019: RM3,920,000) on the basis that the carrying amounts exceeded recoverable amounts based on the FVLCS method.

The changes in fair value would have resulted in an additional higher or lower impairment for the corresponding amount.

(c) Buildings amounting to RM187,575,000 (2019: RM201,948,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(d) Right-of-use assets

	Leasehold land RM'000	Prepaid lease payments RM'000	Rented land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Total RM'000
Group							
1 January 2019	1,260,267	180,323	92,037	60,673	323	24,128	1,617,751
Additions	20,594	-	452	15,924	-	300	37,270
Depreciation for the year	(11,905)	(8,516)	(6,730)	(20,746)	(67)	(7,278)	(55,242)
Impairment loss for the year	-	-	(1,595)	-	-	-	(1,595)
Modifications	-	-	(587)	(26,674)	-	(907)	(28,168)
Derecognition	-	-	(5,472)	-	-	-	(5,472)
Written off	-	(870)	-	-	-	-	(870)
Exchange differences	-	105	78	3	-	2	188
At 31 December 2019/ 1 January 2020	**1,268,956**	**171,042**	**78,183**	**29,180**	**256**	**16,245**	**1,563,862**
Additions	**-**	**-**	**1,659**	**22,990**	**-**	**1,722**	**26,371**
Depreciation for the year	**(18,795)**	**(8,483)**	**(6,549)**	**(20,031)**	**(67)**	**(6,501)**	**(60,426)**
Impairment loss for the year	**-**	**-**	**(4,433)**	**(1,706)**	**-**	**(14)**	**(6,153)**
Reclassifications	**(9,187)**	**-**	**(489)**	**489**	**-**	**-**	**(9,187)**
Transfer to investment properties (Note 5)	**(2,333)**	**-**	**-**	**-**	**-**	**-**	**(2,333)**
Transfer to land held for property development (Note 9)	**(58,945)**	**-**	**-**	**-**	**-**	**-**	**(58,945)**
Modifications	**-**	**-**	**(237)**	**(4,212)**	**-**	**(270)**	**(4,719)**
Exchange differences	**-**	**553**	**(4)**	**4**	**-**	**4**	**557**
At 31 December 2020	**1,179,696**	**163,112**	**68,130**	**26,714**	**189**	**11,186**	**1,449,027**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(d) Right-of-use assets (continued)

(i) The title of the Group's leasehold land with carrying amount of RM29,158,000 (2019: RM29,614,000) 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.

(ii) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM67,443,000 (2019:RM68,313,000) as disclosed in Note 39(a).

(iii) Prepaid lease payments amounting to RM74,586,000 (2019: RM78,047,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

(e) Property, plant and equipment held under operating lease

The Group leases some of its property, plant and equipment to third parties and a joint venture. Subsequent renewals are negotiated with the lessee.

The following are recognised in profit or loss:

	Group	
	2020 RM'000	**2019 RM'000**
Lease income	**4,108**	1,372
Variable lease income that do not depend on an index or a rate	**410**	57

The operating lease payments to be received are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Less than one year	**4,520**	4,820
One to two years	**1,160**	4,280
Two to three years	**-**	960
Total undiscounted lease payments	**5,680**	10,060

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Right-of use assets -building RM'000	Total RM'000
Company				
At cost				
At 1 January 2019	187	4,896	-	5,083
Additions	-	9	-	9
Disposals	-	(1,523)	-	(1,523)
At 31 December 2019/1 January 2020	**187**	**3,382**	**-**	**3,569**
Additions	**-**	**8**	**30**	**38**
At 31 December 2020	**187**	**3,390**	**30**	**3,607**
Accumulated depreciation				
At 1 January 2019	180	3,523	-	3,703
Depreciation for the year (Note 30)	3	425	-	428
Disposals	-	(1,523)	-	(1,523)
At 31 December 2019/1 January 2020	**183**	**2,425**	**-**	**2,608**
Depreciation for the year (Note 30)	**4**	**424**	**6**	**434**
At 31 December 2020	**187**	**2,849**	**6**	**3,042**
Net carrying amount				
At 31 December 2019	4	957	-	961
At 31 December 2020	**-**	**541**	**24**	**565**

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM38,000 (2019: RM9,000) which are satisfied by the following:

	Company 2020 RM'000	Company 2019 RM'000
Cash payments on purchase of property, plant and equipment	**8**	9
Additions of right-of-use assets by way of lease commitment	**30**	-
	38	9

5. 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 2019	1,420,449	180,053	1,600,502
Additions from acquisition	28,439	28,439	56,878
Additions from subsequent expenditure	2,273	172,264	174,537
Transfer to property, plant and equipment (Note 4)	(5,243)	-	(5,243)
Net gains from fair value adjustments recognised in profit or loss (Note 30)	25,566	-	25,566
Written off	(318)	-	(318)
Exchange differences	35	-	35
At 31 December 2019/1 January 2020	**1,471,201**	**380,756**	**1,851,957**
Additions from acquisition	**30,749**	**-**	**30,749**
Additions from subsequent expenditure	**1,533**	**45,626**	**47,159**
Adjustment arising from re-measurement work	**(10,842)**	**-**	**(10,842)**
Transfer to property, plant and equipment (Note 4)	**(65,271)**	**-**	**(65,271)**
Net gains from fair value adjustments recognised in profit or loss (Note 30)	**58,845**	**-**	**58,845**
Reclassification	**380,756**	**(380,756)**	**-**
Exchange differences	**(4)**	**-**	**(4)**
At 31 December 2020	**1,866,967**	**45,626**	**1,912,593**

	2020 RM'000	2019 RM'000
Represented by:		
Freehold land and buildings	**1,340,892**	1,284,044
Right-of-use assets – Long term leasehold land and buildings	**571,701**	567,913
	1,912,593	1,851,957

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 RM12,990,000 (2019: RM12,994,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

Rental and direct operating expenses arising from investment properties are disclosed in Note 27 and Note 30 respectively.

5. 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.

An upward/(downward) change in the adjustments for factors such as differences in location, age, size and type of property will result in a higher/(lower) fair value of the investment properties.

(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.

An upward/(downward) change in the estimated cost of construction, prevailing building cost of building of the same type and design and allowance for depreciation, age and obsolescence of design will result in a higher/(lower) fair value of the investment properties.

(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	**2020**	**2019**
Estimated rental value per square foot per month	**RM1 - RM25**	RM2 - RM20
Discount rate	**5% - 8.5%**	4% - 10%
Reversionary rate	**5.7% - 8.5%**	5.75% - 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 RM58,845,000 (2019: RM25,566,000).

6. INVESTMENT IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Quoted shares in Malaysia, at cost	**911,325**	820,811
Unquoted shares, at cost		
- In Malaysia	**3,637,987**	3,840,923
- Outside Malaysia	**88,408**	58,009
	3,726,395	3,898,932
	4,637,720	4,719,743
Less: Impairment losses – unquoted shares	**(296,926)**	(194,885)
	4,340,794	4,524,858
Market value of quoted shares	**864,092**	903,510

Details of subsidiaries as of 31 December 2020 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	Equity interest held (%) 2019
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	**60.03**	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**	80
* Sunrise Addition Sdn Bhd	Investment holding	Malaysia	**100**	100
HSC International Limited	Investment holding	Labuan, Malaysia	**100**	100
* Hap Seng Auto Sdn Bhd	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
+ Sasco Company Ltd	Investment holding	British Virgin Islands	**100**	100
Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	**100**	100

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	Equity interest held (%) 2019
Held by the Company: (continued)				
* Malaysian Mosaics Sdn Bhd ["MMSB"]	Investment holding, manufacture and sale of porcelain and ceramic tiles	Malaysia	**100**	100
Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	**100**	100
# Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	**100**	100
Hap Seng Management Sdn Bhd	Centralised treasury management function	Malaysia	**100**	100
Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	**100**	100
Hap Seng Equity Sdn Bhd	Trading of marketable securities	Malaysia	**100**	100
Held by HSP:				
* Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	**100**	100
* Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	**100**	100
* 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	Livestock farming (ceased operations)	Malaysia	**100**	100
Held by Hap Seng Plantations (River Estates) Sdn Bhd:				
* Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
* Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
* Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
	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	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
	Sunpoint Resources Sdn Bhd	Property development	Malaysia	**100**	100
	Euro-Asia Brand Holding Company Sdn Bhd	Property development	Malaysia	**100**	100
*	Future Golden Development Sdn Bhd	Property development	Malaysia	**100**	-
	Hap Seng Land Development (Bangsar) Sdn Bhd	Property development	Malaysia	**80**	80
	Hap Seng Land Development (Balakong) Sdn Bhd	Property development	Malaysia	**80**	80

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
Held by Hap Seng Land Development Sdn Bhd: (continued)				
Hap Seng Land Development (JTR 2) Sdn Bhd (40% (2019: 40%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 40% (2019: 40%) is held by the Company)	Property development	Malaysia	**80**	80
KL Midtown Sdn Bhd	Property development	Malaysia	**70**	70
Hap Seng Land Development And JCA Sdn Bhd	Property development	Malaysia	**60**	60
Hap Seng Construction Sdn Bhd	Construction activities	Malaysia	**100**	100
Positive Tropical Sdn Bhd	Construction activities	Malaysia	**100**	100
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
Positive Harmony Sdn Bhd	Operating grocery stores and food and beverage business	Malaysia	**100**	100
* Sierra Ventures Sdn Bhd	Carrying out food and beverage business	Malaysia	**80**	100
Held by Hap Seng Properties Development Sdn Bhd:				
* Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	**100**	100
* Hap Seng Land Development (KK) Sdn Bhd	Property development	Malaysia	**100**	100
Held by Hap Seng Land Development (Balakong) Sdn Bhd:				
Sunrise Strategy Sdn Bhd	Property investment (has not commenced operations)	Malaysia	**100**	-

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
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
Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	**100**	80
Prosperity Sunland Sdn Bhd	Property investment	Malaysia	**100**	-
^ Caliber Suncity Sdn Bhd	Property investment	Malaysia	**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**	100
Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	**100**	100
Held by Sunrise Addition Sdn Bhd:				
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services and operating leasing of vehicles	Malaysia	**100**	100
Held by HSC International Limited:				
+ 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
* HSC Manchester Holding Pte Ltd	Investment holding	Singapore	**100**	100
* HSC London Holding Pte Ltd	Investment holding	Singapore	**100**	-
* HSC Leeds Holding Pte Ltd	Investment holding	Singapore	**100**	-
* HSC Bristol Holding Pte Ltd	Investment holding	Singapore	**100**	-
* HSC Nottingham Holding Pte Ltd	Investment holding	Singapore	**100**	-

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
Held by HSC Birmingham Holding Limited:				
* HS Credit (Birmingham) Ltd	Provision of financial services	United Kingdom	**100**	100
Held by HSC Brisbane Holding Pte Ltd:				
+ HS Credit (Brisbane) Pty Ltd	Dormant	Australia	**100**	100
Held by HSC Manchester Holding Pte Ltd:				
+ HS Credit (Manchester) Ltd	Dormant	United Kingdom	**100**	100
Held by HSC London Holding Pte Ltd:				
+ HS Credit (London) Ltd	Dormant	United Kingdom	**100**	-
Held by HSC Leeds Holding Pte Ltd:				
+ HS Credit (Leeds) Ltd	Dormant	United Kingdom	**100**	-
Held by HSC Bristol Holding Pte Ltd:				
+ HS Credit (Bristol) Ltd	Dormant	United Kingdom	**100**	-
Held by HSC Nottingham Holding Pte Ltd:				
+ HS Credit (Nottingham) Ltd	Dormant	United Kingdom	**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 Trucks Distribution Sdn Bhd	Wholesale, distribution of trucks and vans and sales of respective spare parts including importation and assembly	Malaysia	**100**	100
* Hap Seng Trucks Sdn Bhd	Dealing in commercial vehicles, spare parts and servicing of commercial vehicles	Malaysia	**100**	100

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
Held by Hap Seng Auto Sdn Bhd: (continued)				
* Hap Seng CarFleet Sdn Bhd	Rental and trading of motor vehicles	Malaysia	**100**	100
* Hap Seng Body & Paint Sdn Bhd *(formerly known as Empire Translink Sdn Bhd)*	Providing services and parts for repairing, painting and servicing of motor vehicles (has not commenced operations)	Malaysia	**100**	-
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	**70**	70
Held by Macro Arch (M) Sdn Bhd:				
# PT. Sasco Indonesia (90% (2019: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2019: 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
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 MMSB:				
* MML Marketing Sdn Bhd ["MMLM"]	Trading and distribution of mosaic and ceramic tiles (ceased operations)	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 and fertilizers	People's Republic of China	**100**	100

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
Held by MMSB: (continued)				
* PT. MML Ceramic Indonesia (90% (2019: 90%) equity interest is held by MMSB whilst the remaining 10% (2019: 10%) is held by MMLM)	Trading and distribution of porcelain and ceramic tiles	Indonesia	**100**	100
* MML Ceramic (Thailand) Co., Ltd (99.8% (2019: 99.8%) equity interest is held by MMSB whilst the remaining 0.2% (2019: 0.2%) is held by MMLM and MML Marketing Pte Ltd equally of 0.1% (2019: 0.1%) respectively)	In liquidation	Thailand	**100**	100
Held by Hap Seng Building Materials Holdings Sdn Bhd:				
Hap Seng Building Materials Sdn Bhd	Manufacture and trading of bricks, operating of stone quarries and asphalt plants	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	**100**	70
Held by Hap Seng Clay Products Sdn Bhd:				
Kao Fu Bricks Sdn Bhd	In liquidation	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
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

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6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2020	2019
	Held by Hafary Pte Ltd: (continued)				
*	Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	**100**	100
*	Hafary Centre Pte Ltd	Investment holding	Singapore	**100**	100
*	Hafary Vietnam Pte Ltd	Investment holding	Singapore	**100**	100
*	Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	**100**	100
*	Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	**100**	100
*	Marble Trends Pte Ltd	Dealer of stones for home furnishing	Singapore	**100**	100
*	World Furnishing Hub Pte Ltd	Investment holding	Singapore	**46**	46
*	Gres Universal Pte Ltd	Distribution and wholesale of building materials	Singapore	**56**	56
*	Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	**51**	51
*	Hafary Building Materials Pte Ltd	Investment holding	Singapore	**100**	100
*	Hafary W+S Pte Ltd	Storage and warehousing of furniture and related products	Singapore	**100**	100
^	Hafary Trading Sdn Bhd	Trading and distribution of building materials	Malaysia	**100**	-
	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

* *Audited by firms other than Ernst & Young PLT*
\# *Audited by member firms of Ernst & Young Global in the respective countries*
\+ *There is no statutory requirement for the financial statements to be audited*
^ *Newly incorporated during the financial year and the first set of financial statements will be for the period ending 31 December 2021*

6. 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
2020					
NCI percentage of ownership interest and voting interest	**39.97%**	**49.18%**	**20.00%**		
Carrying amount of NCI	**677,736**	**150,440**	**330,030**	**15,059**	**1,173,265**
Profit/(Loss) attributable to NCI	**27,636**	**5,532**	**20,247**	**(4,749)**	**48,666**
Summarised financial information before intra-group elimination:					
As at 31 December:					
Non-current assets	**1,801,508**	**405,194**	**2,035,985**		
Current assets	**380,377**	**277,963**	**1,506,304**		
Non-current liabilities	**(418,720)**	**(280,332)**	**(173,259)**		
Current liabilities	**(48,339)**	**(179,626)**	**(1,718,884)**		
Net assets	**1,714,826**	**223,199**	**1,650,146**		
NCI	**-**	**(6,556)**	**-**		
Net assets attributable to owners of subsidiaries	**1,714,826**	**216,643**	**1,650,146**		
Less: Adjustments on net assets upon consolidation	**(19,216)**	**75,922**	**-**		
Adjusted net assets	**1,695,610**	**292,565**	**1,650,146**		
Year ended 31 December:					
Revenue	**467,595**	**245,662**	**269,247**		
Profit for the year	**90,296**	**16,809**	**101,235**		
Total comprehensive income	**90,296**	**17,768**	**102,113**		
Net cash flows from:					
- operating activities	**136,823**	**64,265**	**254,280**		
- investing activities	**(84,969)**	**4,432**	**(383)**		
- financing activities	**(37,516)**	**(75,878)**	**(240,921)**		
Net increase/ (decrease) in cash and cash equivalents	**14,338**	**(7,181)**	**12,976**		
Dividends paid to NCI	**(12,177)**	**(5,298)**	**(11,970)**		

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6. 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	Hap Seng Credit Sdn Bhd RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2019					
NCI percentage of ownership interest and voting interest	46.96%	49.18%	20.00%		
Carrying amount of NCI	776,062	149,699	321,577	31,352	1,278,690
Profit attributable to NCI	14,768	8,624	25,039	8,123	56,554
Summarised financial information before intra-group elimination:					
As at 31 December:					
Non-current assets	1,894,871	424,986	2,599,475		
Current assets	242,828	301,150	1,144,467		
Non-current liabilities	(434,817)	(268,809)	(718,246)		
Current liabilities	(50,363)	(241,631)	(1,417,813)		
Net assets	1,652,519	215,696	1,607,883		
NCI	-	(6,147)	-		
Net assets attributable to owners of subsidiaries	1,652,519	209,549	1,607,883		
Less: Adjustments on net assets upon consolidation	-	82,369	-		
Adjusted net assets	1,652,519	291,918	1,607,883		
Year ended 31 December:					
Revenue	418,598	319,182	290,995		
Profit for the year	31,449	30,412	125,193		
Total comprehensive income	31,449	28,800	124,020		
Net cash flows from:					
- operating activities	125,951	68,230	(191,476)		
- investing activities	(96,148)	(1,324)	2,906		
- financing activities	(20,797)	(62,296)	195,211		
Net increase in cash and cash equivalents	9,006	4,610	6,641		
Dividends paid to NCI	(5,632)	(6,674)	(14,630)		

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of a subsidiary

In the previous financial year, the Group disposed of entire equity interest in HS Credit (Melbourne) Pty Ltd *(now known as LSH Credit (Melbourne) Pty Ltd)* for total cash consideration of USD175.5 million, equivalent to RM728,764,000.

The disposal has the following effects on the financial position and results of the Group:

	2019 RM'000
Group	
Property, plant and equipment	(13)
Trade and other receivables	(125,888)
Cash and bank balances	(121,938)
Trade and other payables	860
Tax payable	4,150
Net assets	(242,829)
Transfer from foreign exchange reserve	(13,285)
	(256,114)
Cash consideration	728,764
Net assets disposed	(256,114)
Expenses on disposal	(616)
Gain on disposal to the Group	472,034
Cash inflow arising from disposals:	
Cash consideration	728,764
Expenses on disposal	(616)
Cash and cash equivalents of subsidiaries disposed	(121,938)
Net cash inflow on disposal	606,210

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisitions and disposals of equity interest in subsidiaries without losing control

(i) During the financial year, the Group acquire the remaining ordinary shares from its non-controlling interests of Desa Alam Mewah Sdn Bhd ["Desa Alam"] and Hap Seng Seri Alam Sdn Bhd ["HSSA"] for total cash consideration of RM2,471,000 and RM1 respectively, as disclosed in Note 44(k) and 44(m).

(ii) During the financial year, the Company had acquired additional of 66,074,500 ordinary shares representing approximately 8.26% of equity interest in HSP through direct business transaction at an average price of RM1.65 per share and disposed of a total of 10,206,700 ordinary shares representing approximately 1.28% of equity interest in HSP via open market at an average price of RM1.78 per share. The Company's shareholding in HSP stood at 60.03% at the end of the financial year after the aforesaid acquisition and disposal of HSP shares.

The difference between the consideration and the carrying amount of the equity interest acquired/disposed of RM10,415,000 and RM1,239,000 at the Group and at the Company respectively is reflected in the statement of changes in equity and profit or loss as summarised below:

	Acquired				Disposed	
	HSP RM'000	Desa Alam RM'000	HSSA RM'000	Total RM'000	HSP RM'000	Net RM'000
Group						
Carrying amount of equity interest (disposed)/ acquired	**135,017**	**1,182**	**(10,329)**	**125,870**	**(21,232)**	**104,638**
Consideration received/ (paid)	**(109,890)**	**(2,471)**	**-**	**(112,361)**	**18,138**	**(94,223)**
Recognised in equity	**25,127**	**(1,289)**	**(10,329)**	**13,509**	**(3,094)**	**10,415**

	HSP		
	Acquired RM'000	Disposed RM'000	Net RM'000
Company			
Carrying amount of equity interest (disposed)/ acquired	**109,890**	**(19,377)**	**90,513**
Consideration received/(paid)	**(109,890)**	**18,138**	**(91,752)**
Recognised in profit or loss	**-**	**(1,239)**	**(1,239)**

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Issuance of shares by subsidiaries to non-controlling interests which resulted in reduction of the Group's equity interest in subsidiary without losing control

During the financial year, Sierra Ventures Sdn Bhd ["Sierra"] enlarged its share capital with shares issued to non-controlling interests as disclosed in Note 44(a) has resulted in reduction of the Group's equity interest in Sierra without losing control. No changes to equity attributable to owners of the Company arising from the aforesaid changes in equity interest in subsidiary.

(e) Impairment loss on investment in a subsidiary

The Company conducted impairment assessment of its investment in certain subsidiaries, principally based on the Company's share of the adjusted net assets in these subsidiaries, which represents the directors' estimation of fair value less costs to sell of these subsidiaries.

The Company recognised an impairment loss on investment in a subsidiary of RM102,041,000 (2019: RM25,935,000) on the basis that the carrying amounts exceeded recoverable amounts based on the FVLCS method.

The changes in fair value would have resulted in an additional higher or lower impairment for the corresponding amount.

7. INVESTMENT IN ASSOCIATES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Quoted shares, at cost				
- In Malaysia	**49,711**	49,711	**49,711**	49,711
- Outside Malaysia	**31,622**	31,622	**26,030**	26,030
	81,333	81,333	**75,741**	75,741
Unquoted shares, at cost				
- In Malaysia	**274,010**	274,010	**28,000**	28,000
- Outside Malaysia	**11,908**	11,908	**-**	-
	285,918	285,918	**28,000**	28,000
	367,251	367,251	**103,741**	103,741
Share of post-acquisition reserves	**133,196**	130,439	**-**	-
	500,447	497,690	**103,741**	103,741
Exchange differences	**16,557**	19,304	**-**	-
	517,004	516,994	**103,741**	103,741
Less: Accumulated impairment losses - quoted shares	**(54,984)**	(47,809)	**(35,464)**	(32,977)
	462,020	469,185	**68,277**	70,764
Market value of quoted shares	**111,076**	125,856	**111,076**	125,856

7. INVESTMENT IN ASSOCIATES (continued)

Details of associates as of 31 December 2020 are as follows:

	Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2020	2019
	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 PLT*
\# *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 2020.

7. 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
2020				
(i) Summary of financial information				
As at 31 December:				
Non-current assets	**700,295**	**401,348**	**325,430**	**1,427,073**
Current assets	**39,514**	**352,464**	**207,166**	**599,144**
Non-current liabilities	**(206,254)**	**(42,302)**	**(28,683)**	**(277,239)**
Current liabilities	**(11,506)**	**(159,771)**	**(58,435)**	**(229,712)**
Net assets	**522,049**	**551,739**	**445,478**	**1,519,266**
NCI	**-**	**(42,538)**	**-**	**(42,538)**
Net assets attributable to owner of associates	**522,049**	**509,201**	**445,478**	**1,476,728**
Year ended 31 December:				
Revenue	**41,844**	**845,995**	**482,529**	**1,370,368**
Profit for the year	**18,885**	**39,568**	**13,024**	**71,447**
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	**261,023**	**101,841**	**125,082**	**487,946**
Goodwill	**954**	**318**	**27,786**	**29,058**
Impairment losses	**-**	**(5,329)**	**(49,655)**	**(54,984)**
Carrying amount in statement of financial position	**261,977**	**96,830**	**103,213**	**462,020**
(iii) Group's share of results of associates	**9,442**	**7,914**	**5,748**	**23,104**
(iv) Dividends received from associates	**7,500**	**8,158**	**4,689**	**20,347**

7. INVESTMENT IN ASSOCIATES (CONTINUED)

		Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
2019					
(i)	Summary of financial information				
	As at 31 December:				
	Non-current assets	694,420	386,517	317,729	1,398,666
	Current assets	38,964	341,776	205,523	586,263
	Non-current liabilities	(206,072)	(21,961)	(28,423)	(256,456)
	Current liabilities	(9,148)	(144,639)	(52,141)	(205,928)
	Net assets	518,164	561,693	442,688	1,522,545
	NCI	-	(40,952)	-	(40,952)
	Net assets attributable to owner of associates	518,164	520,741	442,688	1,481,593
	Year ended 31 December:				
	Revenue	39,883	788,506	451,749	1,280,138
	Profit for the year	16,511	64,609	9,610	90,730
(ii)	Reconciliation of net assets to carrying amount as at 31 December				
	Group's share of net assets	259,081	104,148	124,707	487,936
	Goodwill	954	318	27,786	29,058
	Impairment losses	-	-	(47,809)	(47,809)
	Carrying amount in statement of financial position	260,035	104,466	104,684	469,185
(iii)	Group's share of results of associates	8,256	12,923	9,207	30,386
(iv)	Dividends received from associates	14,000	5,013	2,830	21,843

The Group and the Company conducted review of the recoverable amounts on certain investment in associates and an impairment loss amounting to RM7,175,000 for the Group and RM2,487,000 for the Company have been recognised in the profit or loss as disclosed in Note 29(b). In the previous financial year, a reversal of impairment loss on investment in associates of RM14,138,000 for the Group and RM226,000 for the Company have been recognised in profit or loss as disclosed in Note 29(a). The recoverable amounts are determined based on the observable market prices.

8. INVESTMENT IN JOINT VENTURES

	Group 2020 RM'000	Group 2019 RM'000
Unquoted shares, at cost		
- In Malaysia	**1,900**	1,900
- Outside Malaysia	**9,880**	9,880
	11,780	11,780
Share of post-acquisition reserves	**(3,583)**	(2,554)
Exchange differences	**(131)**	(466)
At 31 December	**8,066**	8,760

Details of the joint ventures as of 31 December 2020 are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2020	Equity interest held (%) 2019
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**	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
Held by MMSB:					
* Sino Ceramics Sdn Bhd	Manufacture and sale of porcelain and ceramics tiles	Malaysia	31 March	**19.00**	19.00

* *Audited by a firm other than Ernst & Young PLT*

8. INVESTMENT IN JOINT VENTURES (CONTINUED)

The financial statements of the above joint ventures are coterminous with those of the Group, except for Sino Ceramics Sdn Bhd whose financial year end is 31 March. 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 2020.

The following table summarises the information of the Group's joint ventures, which are individually immaterial.

		Group	
		2020 RM'000	**2019 RM'000**
(i)	Summary of financial information		
	As at 31 December:		
	Non-current assets	**6,558**	10,777
	Current assets	**65,687**	60,395
	Non-current liabilities	**(15,321)**	(8,464)
	Current liabilities	**(40,772)**	(41,501)
	Net assets	**16,152**	21,207
	Year ended 31 December:		
	Revenue	**47,196**	42,739
	Loss for the year	**(6,365)**	(3,925)
(ii)	Group's share of net assets/carrying amount in statement of financial position	**8,066**	8,760
(iii)	Group's share of results of joint ventures	**(1,101)**	(501)
(iv)	Dividends received from a joint venture	**85**	74

9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2020 RM'000	Group 2019 RM'000
Cost:		
At 1 January	**1,311,767**	1,070,354
Additions	**159,300**	489,234
Transfer from property, plant and equipment (Note 4)	**63,134**	-
Transfer to property development costs (Note 14)	**(1,377)**	(22)
Costs charged to profit or loss	**(228,533)**	(247,799)
At 31 December	**1,304,291**	1,311,767
Represented by:		
Freehold land	**437,942**	519,445
Right-of-use assets – Leasehold land	**539,420**	497,816
Land development expenditure	**326,929**	294,506
	1,304,291	1,311,767

Included in additions was interest expense capitalised of RM14,168,000 (2019: RM21,550,000).

10. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Distributor rights RM'000	Total RM'000
Group				
At cost				
At 1 January 2019/31 December 2019/ 1 January 2020/31 December 2020	105,163	44,594	1,523	151,280
Accumulated amortisation/ impairment loss				
At 1 January 2019	64,226	34,190	17	98,433
Amortisation	-	8,942	102	9,044
At 31 December 2019/1 January 2020	**64,226**	**43,132**	**119**	**107,477**
Amortisation	**-**	**1,462**	**102**	**1,564**
Impairment loss	**4,201**	**-**	**-**	**4,201**
At 31 December 2020	**68,427**	**44,594**	**221**	**113,242**
Net carrying amount				
At 31 December 2019	40,937	1,462	1,404	43,803
At 31 December 2020	**36,736**	**-**	**1,302**	**38,038**

10. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segments and tested for impairment at each of the reporting period.

	Group	
	2020 RM'000	**2019 RM'000**
Plantation	**36,736**	36,736
Automotive	**-**	4,201
	36,736	40,937

(i) The recoverable amount of the plantation CGU has been determined based on the FVLCS method.

(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 10% which reflects the risks specific to the CGU. The goodwill allocated to automotive CGU has been fully impaired during the financial year.

(b) Customer relationship

The cost of customer relationship with definite useful life is amortised over a period of 5 years.

(c) Distributor rights

The cost of distributor rights with definite useful life is amortised over a period of 15 years.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Non-current				
Trade receivables				
Hire purchase receivables	**634,417**	777,424	**-**	-
Loan receivables	**1,149,637**	1,493,543	**-**	-
	1,784,054	2,270,967	**-**	-
Less: Allowance for impairment	**(33,605)**	(18,300)	**-**	-
Advances received	**(49,935)**	(77,175)	**-**	-
	1,700,514	2,175,492	**-**	-
Non-trade receivables				
Other receivables	**-**	416	**-**	-
Net investment in lease	**11,782**	12,010	**-**	-
	11,782	12,426	**-**	-
	1,712,296	2,187,918	**-**	-

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Trade receivables				
Third parties	**1,286,282**	1,062,880	**-**	-
Lease receivables	**282**	1,079	**-**	-
Hire purchase receivables	**552,352**	533,309	**-**	-
Loan receivables	**681,670**	254,552	**-**	-
Amounts due from other related companies	**311**	1,271	**-**	-
Amounts due from associates	**-**	93	**-**	-
Amounts due from joint ventures	**792**	662	**-**	-
	2,521,689	1,853,846	**-**	-
Less: Allowance for impairment	**(66,679)**	(51,570)	**-**	-
Interest in suspense	**(28,899)**	(14,255)	**-**	-
Advances received	**(40,497)**	(42,307)	**-**	-
	2,385,614	1,745,714	**-**	-
Non-trade receivables				
Other receivables	**130,232**	112,813	**1,034**	641
Prepayments	**34,626**	37,513	**12**	19
Goods and Services Tax ("GST") recoverable	**134**	28,164	**-**	-
Profit guarantee shortfall due from holding company	**179,901**	91,851	**179,901**	91,851
Contingent consideration	**-**	76,388	**-**	76,388
Net investment in lease	**228**	78	**-**	-
Amounts due from subsidiaries	**-**	-	**85,259**	3,385
Amounts due from an associate	**74**	-	**-**	-
Amounts due from joint ventures	**10,956**	12,404	**-**	-
	356,151	359,211	**266,206**	172,284
	2,741,765	2,104,925	**266,206**	172,284
Total trade and other receivables (current and non-current)	**4,454,061**	4,292,843	**266,206**	172,284
Less: Prepayments	**(34,626)**	(37,513)	**(12)**	(19)
GST recoverable	**(134)**	(28,164)	**-**	-
Add: Cash and bank balances (Note 18)	**960,872**	1,090,193	**45,568**	160,253
Total financial assets at amortised cost	**5,380,173**	5,317,359	**311,762**	332,518

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

(i) Third parties

These amounts are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2019: 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			
2020			
Less than 1 year	**611,889**	**(59,255)**	**552,634**
Between 1 and 5 years	**681,525**	**(47,375)**	**634,150**
After 5 years	**268**	**(1)**	**267**
	1,293,682	**(106,631)**	**1,187,051**
2019			
Less than 1 year	605,850	(71,462)	534,388
Between 1 and 5 years	839,883	(62,561)	777,322
After 5 years	104	(2)	102
	1,445,837	(134,025)	1,311,812

(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 11(a)(i).

(iv) Amounts due from associates and joint ventures

Amounts due from associates and joint ventures are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 11(a)(i).

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group	
	2020	**2019**
	RM'000	**RM'000**
Total trade receivables:		
- Current	**2,521,689**	1,853,846
- Non-current	**1,784,054**	2,270,967
	4,305,743	4,124,813

The ageing analysis of trade receivables is as follows:

	Group	
	2020	**2019**
	RM'000	**RM'000**
Neither past due nor impaired	**206,994**	258,088
Past due but not impaired:		
- Past due 1 – 30 days	**44,715**	42,538
- Past due 31 – 90 days	**44,183**	32,683
- Past due more than 90 days	**35,795**	50,185
	124,693	125,406
Assessed individually	**129,510**	89,597
Assessed collectively	**3,844,546**	3,651,722
Total trade receivables	**4,305,743**	4,124,813

The movement in the allowance for impairment loss is as follows:

	Group	
	2020	**2019**
	RM'000	**RM'000**
At 1 January	**69,870**	53,918
Allowance for impairment losses (Note 30)	**45,897**	29,481
Reversal of impairment losses (Note 30)	**(9,238)**	(8,673)
Written off	**(6,154)**	(4,025)
Disposal of subsidiaries	**-**	(835)
Exchange differences	**(91)**	4
At 31 December	**100,284**	69,870

11. 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 2020, being the last year of Guarantee PAT 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	*(24,328)	(91,851)
31 December 2020	81,973	*(97,928)	(179,901)
Total	275,030	(207,607)	(482,637)

* *audited PAT/(LAT)*
** *audited PAT, excluding the net gain from disposal of land and buildings of approximately RM60.33 million*

Based on the audited results of MMSB for the financial year ended 31 December 2020, the Guaranteed PAT for the financial year ended 31 December 2020 has not been fulfilled, therefore, Gek Poh has an obligation to pay the shortfall of RM179,901,000 (2019: RM91,851,000) to the Company. Accordingly, the Group and the Company have recognised the aforesaid profit guarantee shortfall in the profit or loss as disclosed in Note 29(a).

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables (continued)

(ii) Contingent consideration

A reversal of contingent asset of RM76,388,000 (2019: RM27,886,000) has been recognised in the profit or loss as disclosed in Note 29(b).

(iii) Net investment in lease

	Group	
	2020 RM'000	**2019 RM'000**
At 1 January	**12,088**	-
Addition	**-**	11,972
Interest income	**1,232**	816
Lease payment received	**(1,310)**	(700)
At 31 December	**12,010**	12,088

The lease payments to be received are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Less than one year	**1,440**	1,310
One to two years	**1,440**	1,440
Two to three years	**1,440**	1,440
Three to four years	**1,440**	1,440
Four to five years	**1,440**	1,440
More than five years	**19,680**	21,120
Total undiscounted lease payments	**26,880**	28,190
Unearned interest income	**(14,870)**	(16,102)
Net investment in lease	**12,010**	12,088

The following are recognised in profit or loss:

	Group	
	2020 RM'000	**2019 RM'000**
Loss for new finance lease entered into	**-**	(255)
Variable lease income that do not depend on an index or a rate	**265**	44

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables (continued)

(iv) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand except for an amount of RM85,064,000 (2019: Nil) which bears interest at rate of 3% (2019: Nil) per annum.

(v) Amounts due from an associate

Amounts due from an associate is unsecured, non-interest bearing and repayable on demand.

(vi) Amounts due from joint ventures

Amounts due from joint ventures are unsecured, non-interest bearing and repayable on demand except for an amount of RM6,355,000 (2019: RM6,229,000) for the Group which bears interest at rate of 4% (2019: 4%) per annum.

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
United States Dollar ["USD"]	**30,101**	27,638	**-**	-
Pound Sterling ["GBP"]	**-**	-	**-**	3,385
Singapore Dollar ["SGD"]	**501**	4,973	**85,259**	-
Chinese Renminbi ["RMB"]	**-**	17,129	**-**	-
	30,602	49,740	**85,259**	3,385

12. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
OTHER FINANCIAL ASSETS		
Non-current		
Financial assets at fair value through other comprehensive income		
- Equity investments (unquoted in Malaysia)	**15,012**	15,012
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**-**	4,493
Financial assets at fair value through profit or loss		
- Equity investments (quoted outside Malaysia)	**1,252**	1,586
	16,264	21,091
Current		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**-**	2,920
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**131**	50
Financial assets at fair value through profit or loss		
- Equity investments (quoted in Malaysia)	**69,110**	78,865
	69,241	81,835
OTHER FINANCIAL LIABILITIES		
Non-current		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**-**	2,267
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts - cash flow hedges	**11,097**	4,413
- Cross currency interest rate swaps - cash flow hedges	**6,688**	6,449
	17,785	10,862
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**5,397**	3,414
	23,182	14,276

12. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Derivatives

(i) Forward currency contracts

The Group uses forward currency contracts to manage the foreign currency exposures arising from its receivables, payables, borrowings and firm commitments denominated in USD, Euro, Japanese Yen ["JPY'] and RMB which existed at the reporting date, extending to June 2021 (2019: June 2020). Hedges of foreign currency risk which meet the strict criteria for hedge accounting have been accounted for as a cash flow hedge. Other hedges of foreign currency risk that have not been accounted for as a cash flow hedge or those that do not qualify for hedge accounting, have been designated at fair value through profit or loss.

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

(ii) Cross currency interest rate swaps

The Group entered into and designated cross currency interest rate swaps as hedging instruments in a cash flow hedge of the borrowings denominated in USD (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

13. INVENTORIES

	Group	
	2020	**2019**
	RM'000	**RM'000**
Cost		
Properties held for sale	**559,141**	441,832
Raw materials	**66,102**	100,061
Produce inventories	**19,102**	14,818
Work-in-progress	**4,729**	15,810
Finished goods	**555,782**	799,703
	1,204,856	1,372,224
Net realisable value		
Raw materials	**22,010**	25,764
Finished goods	**210,455**	381,133
	232,465	406,897
	1,437,321	1,779,121
Recognised in profit or loss		
Inventories recognised as cost of sales	**3,655,586**	4,348,518

14. PROPERTY DEVELOPMENT COSTS

	Land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
Group				
At 1 January 2019	447,788	1,220,756	(425,104)	1,243,440
Transfer from/(to):				
- land held for property development (Note 9)	-	22	-	22
- inventories	(73,058)	(265,180)	-	(338,238)
Costs incurred during the year	-	569,064	-	569,064
Costs charged to profit or loss	-	-	(389,753)	(389,753)
Reversal of completed projects	(102,490)	(389,404)	491,894	-
At 31 December 2019/1 January 2020	**272,240**	**1,135,258**	**(322,963)**	**1,084,535**
Transfer from/(to):				
- land held for property development (Note 9)	**-**	**1,377**	**-**	**1,377**
- inventories	**(8,932)**	**(230,335)**	**-**	**(239,267)**
Costs incurred during the year	**-**	**264,622**	**-**	**264,622**
Costs charged to profit or loss	**-**	**-**	**(205,985)**	**(205,985)**
Reversal of completed projects	**(6,274)**	**(164,556)**	**170,830**	**-**
At 31 December 2020	**257,034**	**1,006,366**	**(358,118)**	**905,282**

Included in the property development costs incurred during the financial year was interest expense capitalised of RM9,880,000 (2019: RM14,233,000).

The property development costs included contract costs assets as follows:

	Group	
	2020 RM'000	2019 RM'000
Contract cost assets		
Costs to obtain contracts with customers	**404**	10,122
Costs to fulfil contracts	**2,113**	24,081
	2,517	34,203

15. BIOLOGICAL ASSETS

	Group 2020 RM'000	Group 2019 RM'000
At 1 January	**25,714**	16,437
Net gain from fair value adjustments recognised in profit or loss (Note 30)	**8,287**	9,277
Written off	**(41)**	-
At 31 December	**33,960**	25,714

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.

As at 31 December 2020, the estimated quantity of unharvested FFB of the Group included in the fair value of FFB was 88,000 tonnes (2019: 98,000 tonnes).

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.

	2020		2019	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000
Selling price	**10%**	**6,482**	10%	5,411
	(10%)	**(6,482)**	(10%)	(5,411)
Production volume	**10%**	**3,377**	10%	2,519
	(10%)	**(3,377)**	(10%)	(2,519)

16. CONTRACT ASSETS/(LIABILITIES)

	Group 2020 RM'000	Group 2019 RM'000
Contract assets		
Current		
- Property development	**113,738**	461,935
Contract liabilities		
Current		
- Property development	**(22,680)**	(20,117)
- Goods and services	**(11,374)**	(22,060)
	(34,054)	(42,177)

(a) Property development

Movement of contract assets and contract liabilities in relation to property development is analysed as follows:

	Group 2020 RM'000	Group 2019 RM'000
At 1 January	**441,818**	201,405
Add: Property development revenue recognised during the year	**412,914**	907,565
Add: Interest income recognised during the year	**21,527**	7,201
Less: Progress billings during the year	**(785,201)**	(674,353)
At 31 December	**91,058**	441,818
Analysed as follows:		
- Contract assets	**113,738**	461,935
- Contract liabilities	**(22,680)**	(20,117)
	91,058	441,818

The remaining contractual billings to customers from property development activities amounted to RM145,188,000 (2019: RM788,195,000) 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 2 years (2019: within 1 year to 2 years).

(b) Goods and services

The contract liabilities arising from sales of goods and services are the incentives to be claimed by dealers and considerations received from customers for services and obligations that are to be delivered and to be recognised as revenue over the next 1 year to 3 years.

17. MONEY MARKET DEPOSITS

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

Included in money market deposits of the Group and of the Company at reporting date are amounts of RM5,362,000 (2019: RM1,133,342,000) and Nil (2019: RM893,874,000) respectively denominated in USD. Other information on financial risks of money market deposits are disclosed in Note 41.

18. CASH AND BANK BALANCES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash at banks and on hand	**308,140**	586,305	**4,297**	468
Deposits with licensed banks	**652,732**	503,888	**41,271**	159,785
Cash and bank balances	**960,872**	1,090,193	**45,568**	160,253

Included in cash at banks of the Group are amounts totalling RM25,265,000 (2019: RM72,221,000), 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 RM97,066,000 (2019: RM219,142,000) and RM4,221,000 (2019: RM350,000) respectively which earned interest at floating rates of 0.03% to 1.85% (2019: 1.00% to 3.15%) per annum for the Group and 0.90% to 1.75% (2019: 2.60% to 3.00%) 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
USD	**7,449**	15,440	**319**	323
SGD	**41,322**	159,849	**40,952**	159,468
Vietnamese Dong ["VND"]	**-**	5,193	**-**	-
Euro	**246**	100	**-**	-
RMB	**-**	528	**-**	-
	49,017	181,110	**41,271**	159,791

Other information on financial risks of cash and cash equivalents are disclosed in Note 41.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Non-current				
Trade payables				
Accruals	**148,015**	165,278	**-**	-
Non-trade payables				
Advance received	**568**	625	**-**	-
Deferred lease income	**8,654**	1,072	**-**	-
Deposits received	**16,981**	13,086	**-**	-
	26,203	14,783	**-**	-
	174,218	180,061	**-**	-
Current				
Trade payables				
Third parties	**417,692**	716,765	**-**	-
Accruals	**121,214**	201,591	**-**	-
Amounts due to other related companies	**1,541**	158	**-**	-
Amounts due to joint ventures	**1,799**	447	**-**	-
	542,246	918,961	**-**	-
Non-trade payables				
Accruals	**214,800**	197,188	**3,229**	3,055
Other payables	**115,296**	146,357	**115**	172
Advance received	**161**	23	**-**	-
Deferred lease income	**821**	519	**-**	-
Deposits received	**4,666**	10,029	**-**	-
GST payable	**7**	-	**-**	-
Amounts due to joint ventures	**354**	-	**-**	-
Amounts due to subsidiaries	**-**	-	**184,658**	320,334
	336,105	354,116	**188,002**	323,561
	878,351	1,273,077	**188,002**	323,561
Total trade and other payables (current and non-current)	**1,052,569**	1,453,138	**188,002**	323,561
Less: GST payable	**(7)**	-	**-**	-
Deferred lease income	**(9,475)**	(1,591)	**-**	-
Add: Borrowings (Note 22)	**6,490,655**	6,381,186	**-**	-
Lease liabilities (Note 23)	**126,865**	138,323	**24**	-
Total financial liabilities carried at amortised cost	**7,660,607**	7,971,056	**188,026**	323,561

19. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days).

(ii) Amounts due to other related companies

Amounts due to other related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 19(a)(i).

(iii) Amounts due to joint ventures

Amounts due to joint ventures are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 19(a)(i).

(b) Non-trade payables

(i) Other payables

These amounts are non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM38,772,000 in the previous financial year 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, was unsecured, repayable on demand and bore an interest rate of 4% per annum.

(ii) Amounts due to joint ventures

Amounts due to joint ventures are unsecured, non-interest bearing and payable in accordance with the normal credit terms.

(iii) 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 RM183,950,000 (2019: RM316,050,000) which bears interest at rate of 3.00% (2019: 4.49%) per annum.

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
USD	**105,013**	159,595	**-**	-
Euro	**1,196**	1,112	**-**	-
SGD	**-**	283	**-**	-
RMB	**3,597**	11,594	**-**	-
GBP	**-**	-	**-**	3,352
	109,806	172,584	**-**	3,352

20. PROVISIONS

	Property development obligations RM'000	Rebates RM'000	Land conversion premium obligations RM'000	Assets retirement obligations RM'000	Warranties RM'000	Total RM'000
	(i)	(ii)	(iii)	(iv)	(v)	
Group						
At 1 January 2019	-	2,700	42,536	-	-	45,236
Provision made during the year	1,020	1,932	93,696	4,398	4,349	105,395
Provision utilised during the year	-	(2,707)	-	-	(1,161)	(3,868)
Exchange differences	-	7	-	-	-	7
At 31 December 2019/ 1 January 2020	**1,020**	**1,932**	**136,232**	**4,398**	**3,188**	**146,770**
Provision made during the year	**920**	**2,203**	**127,257**	**-**	**1,551**	**131,931**
Provision utilised during the year	**(1,020)**	**(1,932)**	**(7,230)**	**-**	**(2,860)**	**(13,042)**
Provision reversed during the year	**-**	**-**	**(10,769)**	**(2,898)**	**-**	**(13,667)**
At 31 December 2020	**920**	**2,203**	**245,490**	**1,500**	**1,879**	**251,992**

(i) 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.

(ii) The provision for rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.

(iii) The provision for land conversion premium obligations relates to obligation to pay the conversion premium for the land sold.

(iv) Provisions for asset retirement obligations relates to obligation to restore the leased assets to its original state after the tenure of the lease.

(v) Provision for warranties relates to warranties given to customers for commercial vehicles sold. The provision is based on estimates made from historical warranty data associated with similar products and services.

21. EMPLOYEE BENEFITS

Retirement benefits

	Group 2020 RM'000	Group 2019 RM'000
Defined benefit obligation	**2,813**	4,054

Certain subsidiaries of the Group make contribution to non-contributory 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% (2019: 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 2020 RM'000	Group 2019 RM'000
At 1 January	**4,054**	3,297
Exchange differences	**(23)**	9
	4,031	3,306
Included in profit or loss:		
Service cost	**253**	726
Interest cost	**188**	179
Past service cost	**(1,469)**	(53)
	(1,028)	852
Included in other comprehensive income:		
Remeasurement loss arising from financial assumptions	**167**	64
Others:		
Benefits paid	**(356)**	(171)
Exchange differences	**(1)**	3
At 31 December	**2,813**	4,054

Plan assets

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

21. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2020 %	2019 %
Discount rate	**3.90 – 6.05**	5.40 – 7.20
Future salary growth	**5.00 – 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			
	2020		2019	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Defined benefit obligation				
Discount rate (1% movement)	**(272)**	**325**	(359)	424
Future salary growth (1% movement)	**163**	**(145)**	198	(177)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

22. BORROWINGS

	Group	
	2020	**2019**
	RM'000	**RM'000**
Non-current		
Secured:		
Term loans	**249,894**	236,009
Unsecured:		
Term loans	**241,867**	1,027,528
Medium term notes	**2,815,000**	1,690,000
	3,056,867	2,717,528
	3,306,761	2,953,537
Current		
Secured:		
Term loans	**14,780**	15,548
Revolving credits	**58,937**	104,524
	73,717	120,072
Unsecured:		
Term loans	**1,139,521**	995,401
Revolving credits	**1,497,181**	1,831,221
Trust receipts	**31,385**	47,990
Bankers' acceptances	**167,090**	432,965
Medium term notes	**275,000**	-
	3,110,177	3,307,577
	3,183,894	3,427,649
Total borrowings	**6,490,655**	6,381,186

The secured borrowings are in respect of foreign subsidiaries' borrowings which are secured against their buildings and prepaid lease payments as disclosed Note 4 and investment properties as disclosed in Note 5.

22. 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 will be 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	
	2020 RM'000	**2019 RM'000**
Within one year	**3,183,894**	3,427,649
More than 1 year and less than 2 years	**587,695**	1,075,127
More than 2 years and less than 5 years	**2,567,340**	1,684,072
More than 5 years	**151,726**	194,338
	6,490,655	6,381,186

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	
	2020 RM'000	**2019 RM'000**
USD	**639,922**	1,103,985
Euro	**13,206**	17,894
	653,128	1,121,879

Other information on financial risks of borrowings are disclosed in Note 41.

22. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities:

	1 January RM'000	Cash flows RM'000	Other changes RM'000	31 December RM'000
Group				
2020				
Term loans	**2,274,486**	**(618,911)**	**(9,513)**	**1,646,062**
Revolving credits	**1,935,745**	**(370,060)**	**(9,567)**	**1,556,118**
Trust receipts	**47,990**	**(16,630)**	**25**	**31,385**
Bankers' acceptances	**432,965**	**(265,875)**	**-**	**167,090**
Medium term notes	**1,690,000**	**1,400,000**	**-**	**3,090,000**
	6,381,186	**128,524**	**(19,055)**	**6,490,655**
Lease liabilities	**138,323**	**(32,691)**	**21,233**	**126,865**
Total liabilities from financing activities	**6,519,509**	**95,833**	**2,178**	**6,617,520**
2019				
Term loans	2,307,164	(20,775)	(11,903)	2,274,486
Revolving credits	1,719,481	217,190	(926)	1,935,745
Trust receipts	77,126	(29,312)	176	47,990
Bankers' acceptances	222,994	209,971	-	432,965
Commercial papers	10,000	(10,000)	-	-
Medium term notes	1,090,000	600,000	-	1,690,000
	5,426,765	967,074	(12,653)	6,381,186
Lease liabilities	185,434	(35,648)	(11,463)	138,323
Total liabilities from financing activities	5,612,199	931,426	(24,116)	6,519,509

23. LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	**138,323**	185,434	**-**	-
Additions	**26,371**	16,676	**30**	-
Accretion of interest	**5,636**	5,968	**-**	-
Modifications	**(5,152)**	(28,230)	**-**	-
Payments	**(38,327)**	(41,616)	**(6)**	-
Exchange differences	**14**	91	**-**	-
At 31 December	**126,865**	138,323	**24**	-
Non-current	**98,635**	111,134	**8**	-
Current	**28,230**	27,189	**16**	-
	126,865	138,323	**24**	-

During the financial year, the Group and the Company had total cash outflows for leases amounted to RM38,327,000 (2019: RM41,616,000) and RM6,000 (2019: Nil) respectively.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

24. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	**409,573**	448,486	**15**	15
Recognised in profit or loss (Note 33)	**(28,787)**	(38,954)	**(14)**	-
Exchange differences	**(45)**	41	**-**	-
At 31 December	**380,741**	409,573	**1**	15
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**487,669**	480,207	**1**	15
Deferred tax assets	**(106,928)**	(70,634)	**-**	-
	380,741	409,573	**1**	15

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

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

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2020	**463,963**	**70,758**	**4,440**	**539,161**
Recognised in profit or loss	**(7,433)**	**8,760**	**915**	**2,242**
Exchange differences	**4**	**-**	**-**	**4**
At 31 December 2020	**456,534**	**79,518**	**5,355**	**541,407**
Less: Deferred tax assets offset				**(53,738)**
Deferred tax liabilities recognised				**487,669**
At 1 January 2019	471,862	60,441	9,501	541,804
Recognised in profit or loss	(7,946)	10,317	(5,061)	(2,690)
Exchange differences	47	-	-	47
At 31 December 2019	463,963	70,758	4,440	539,161
Less: Deferred tax assets offset				(58,954)
Deferred tax liabilities recognised				480,207

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 2020	**(33,754)**	**(23,897)**	**(71,937)**	**(129,588)**
Recognised in profit or loss	**347**	**10,644**	**(42,020)**	**(31,029)**
Exchange differences	**-**	**(48)**	**(1)**	**(49)**
At 31 December 2020	**(33,407)**	**(13,301)**	**(113,958)**	**(160,666)**
Offset against deferred tax liabilities				**53,738**
Deferred tax assets recognised				**(106,928)**
At 1 January 2019	(43,507)	(17,754)	(32,057)	(93,318)
Recognised in profit or loss	9,753	(6,141)	(39,876)	(36,264)
Exchange differences	-	(2)	(4)	(6)
At 31 December 2019	(33,754)	(23,897)	(71,937)	(129,588)
Offset against deferred tax liabilities				58,954
Deferred tax assets recognised				(70,634)

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

Deferred tax liabilities of the Company:

	2020 RM'000	2019 RM'000
Property, plant and equipment		
At 1 January	**15**	15
Recognised in profit or loss	**(14)**	-
At 31 December	**1**	15

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

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	**295,129**	163,187
Unabsorbed capital and agriculture allowances	**123,488**	159,048
Unabsorbed reinvestment allowances	**199,840**	150,453
Other temporary differences	**133,147**	69,029
	751,604	541,717

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.

Pursuant to the Finance Act 2018, unutilised tax losses from a year of assessment can only be carried forward up to 7 consecutive year of assessment. Unabsorbed capital allowances and agriculture allowances attributable to group entities incorporated in Malaysia do not expire under the current tax legislation. In the case of a dormant company, such allowances and losses will not be available to the affected group entities if there has been a change of 50% or more in the shareholdings thereof.

25. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
Issued and fully paid:				
At 1 January/31 December	**2,489,682**	2,489,682	**3,519,554**	3,519,554

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 2 July 2020, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company did not purchase any of its own shares. In the previous financial year, the Company repurchased 2,000 shares at the cost of RM19,972. All repurchases of shares were financed by the Company's internally generated funds.

At 31 December 2020, the Company held 12,000 (2019: 12,000) treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2019	10,000	93,096	9.31
Repurchased during the year	2,000	19,972	9.99
As of 31 December 2019/1 January 2020/ 31 December 2020	**12,000**	**113,068**	**9.42**

26. RESERVES

		Group		Company	
		2020 RM'000	2019 RM'000	**2020 RM'000**	2019 RM'000
(a)	Non-distributable reserves	**157,756**	151,604	**-**	-
(b)	Distributable reserve				
	- Retained profits	**3,807,131**	3,669,121	**2,110,890**	1,984,727
		3,964,887	3,820,725	**2,110,890**	1,984,727

(a) Non-distributable reserves

	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Total non-distributable reserves RM'000
Group					
At 1 January 2019	35,038	(11,667)	22,244	74,014	119,629
Foreign currency translation differences for foreign operations	-	-	10,125	-	10,125
Share of foreign currency translation differences of:					
- associates	-	-	6,124	-	6,124
- joint ventures	-	-	(106)	-	(106)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	13,285	-	13,285
Change in fair value of cash flow hedge	-	2,547	-	-	2,547
Total other comprehensive income for the year	-	2,547	29,428	-	31,975
At 31 December 2019	35,038	(9,120)	51,672	74,014	151,604

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	Total non-distributable reserves RM'000
Group (continued)					
At 1 January 2020	**35,038**	**(9,120)**	**51,672**	**74,014**	**151,604**
Foreign currency translation differences for foreign operations	**-**	**-**	**3,302**	**-**	**3,302**
Share of foreign currency translation differences of:					
- associates	**-**	**-**	**(2,411)**	**-**	**(2,411)**
- joint ventures	**-**	**-**	**170**	**-**	**170**
Change in fair value of cash flow hedge	**-**	**5,091**	**-**	**-**	**5,091**
Total other comprehensive income for the year	**-**	**5,091**	**1,061**	**-**	**6,152**
At 31 December 2020	**35,038**	**(4,029)**	**52,733**	**74,014**	**157,756**

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

26. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

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

(i) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2019: 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 (2019: RM641,000) represents the revaluation reserve of an associate.

(ii) 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.

(iii) 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.

(iv) Revaluation reserve

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

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2020 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Revenue from contract with customers				
- Sale of plantation produce	**467,595**	418,598	**-**	-
- Sale of goods and services	**3,411,808**	4,389,805	**-**	-
- Sale of properties under development	**412,914**	907,565	**-**	-
- Sale of completed properties	**161,669**	153,366	**-**	-
- Sale of land	**1,113,740**	926,672	**-**	-
	5,567,726	6,796,006	**-**	-
Revenue from other sources:				
- Dividend income:				
- From subsidiaries	**-**	-	**714,787**	1,165,326
- From associates	**-**	-	**8,520**	5,737
- Interest income from provision of financial services	**222,497**	240,999	**-**	-
- Property rental	**60,103**	59,062	**-**	-
	282,600	300,061	**723,307**	1,171,063
	5,850,326	7,096,067	**723,307**	1,171,063
Timing and recognition:				
- At a point in time	**5,100,604**	5,852,747	**-**	-
- Over time	**467,122**	943,259	**-**	-
	5,567,726	6,796,006	**-**	-

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Interest expense on:				
Bank borrowings	**237,904**	262,902	**-**	-
Borrowings from other institutions	**10,793**	12,678	**-**	-
Amount due to a related party	**869**	1,551	**-**	-
Amount due to a subsidiary	**-**	-	**12,866**	9,496
Lease liabilities	**5,636**	5,968	**-**	-
Others	**15,964**	15,033	**-**	-
	271,166	298,132	**12,866**	9,496
Less: Interest expense capitalised in:				
- Land held for property development (Note 9)	**(14,168)**	(21,550)	**-**	-
- Property development costs (Note 14)	**(9,880)**	(14,233)	**-**	-
	247,118	262,349	**12,866**	9,496

29. OTHER GAIN/(LOSS) ITEMS

		Group		Company	
		2020 **RM'000**	**2019** **RM'000**	**2020** **RM'000**	**2019** **RM'000**
(a)	**Other gain items**				
	Gain on disposal of subsidiaries	**-**	472,034	**-**	-
	Profit guarantee shortfall receivable from holding company (Note 11(b)(i))	**179,901**	91,851	**179,901**	91,851
	Reversal of impairment loss on investment in associates	**-**	14,138	**-**	226
		179,901	578,023	**179,901**	92,077
(b)	**Other loss items**				
	Loss on disposal of equity interest in a subsidiary	**-**	-	**(1,239)**	-
	Impairment loss on investment in a subsidiary	**-**	-	**(102,041)**	(25,935)
	Impairment loss on investment in associates	**(7,175)**	-	**(2,487)**	-
	Impairment loss on intangible assets - goodwill	**(4,201)**	-	**-**	-
	Contingent consideration (Note 11(b)(ii))	**(76,388)**	(27,886)	**(76,388)**	(27,886)
		(87,764)	(27,886)	**(182,155)**	(53,821)

30. PROFIT BEFORE TAX

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young PLT	**990**	721	**170**	155
- overseas member firms of Ernst & Young	**203**	228	**-**	-
- other auditors	**1,735**	1,937	**-**	-
- under/(over) provision in prior years				
- Ernst & Young PLT	**129**	94	**10**	25
- other auditors	**(133)**	15	**-**	-
Non audit fees for services rendered by				
- Ernst & Young PLT	**17**	39	**15**	35
- local member firms of Ernst & Young PLT	**445**	307	**16**	22
- overseas member firms of Ernst & Young	**108**	121	**-**	27
Short term, low value and variable lease expenses	**29,720**	45,514	**1,353**	1,056
Depreciation of property, plant and equipment (Note 4)	**208,992**	209,102	**434**	428
Amortisation of intangible assets (Note 10)	**1,564**	9,044	**-**	-
Property, plant and equipment written off	**21,892**	6,078	**-**	-
Biological assets written off	**41**	-	**-**	-
Investment properties written off	**-**	318	**-**	-
Bad debts written off	**90**	1	**129**	-
Allowance for impairment losses				
- trade receivables (Note 11)	**45,897**	29,481	**-**	-
Impairment loss on property, plant and equipment	**64,579**	3,920	**-**	-
Net inventories written down	**63,768**	22,434	**-**	-
Employee benefits expenses (Note 31)	**425,058**	439,360	**12,999**	12,100
Direct operating expenses arising from investment properties – rental generating properties	**28,895**	30,465	**-**	-
Loss on equity investment at fair value through profit or loss	**1,614**	8,348	**-**	-
Loss/(gain) on money market deposits at fair value	**2,306**	(9)	**1,598**	278

30. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit before tax is arrived at after charging/(crediting): (continued)				
Net gain from fair value adjustments of biological assets	**(8,287)**	(9,277)	**-**	-
Net foreign exchange (gains)/loss	**(47,190)**	19,044	**(44,383)**	11,212
Gain on disposal of property, plant and equipment	**(209)**	(5,545)	**-**	(95)
Net gains from fair value adjustments of investment properties (Note 5)	**(58,845)**	(25,566)	**-**	-
Dividend income from equity investment at fair value through other comprehensive income	**(600)**	(670)	**-**	-
Dividend income from equity investment at fair value through profit or loss	**(4,688)**	(9,229)	**-**	-
Dividend income from money market deposits	**(35,572)**	(22,490)	**(19,270)**	(14,240)
Dividend income				
- from subsidiaries	**-**	-	**(714,787)**	(1,165,326)
- from associates	**-**	-	**(8,520)**	(5,737)
Reversal of impairment losses				
- trade receivables (Note 11)	**(9,238)**	(8,673)	**-**	-
Reversal of provisions	**(13,667)**	-	**-**	-
Recovery of bad debts	**(451)**	(769)	**-**	-
Rental income from properties	**(14,115)**	(13,118)	**-**	-
Interest income from:				
- deposits with licensed banks	**(15,577)**	(15,570)	**(746)**	(2,742)
- discounting on retention sum	**(1,368)**	(2,770)	**-**	-
- subsidiaries	**-**	-	**(2,639)**	-
- significant financing component (Note 16)	**(21,527)**	(7,201)	**-**	-
- others	**(4,925)**	(3,029)	**-**	-

31. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Salaries and other staff related expenses	**392,569**	403,395	**11,594**	10,797
Pension costs – defined contribution plans	**32,489**	35,965	**1,405**	1,303
	425,058	439,360	**12,999**	12,100

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM24,800,000 (2019: RM29,731,000) and RM10,969,000 (2019: RM11,012,000) respectively as further disclosed in Note 32.

32. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Executive directors' remuneration:				
Fees				
- Directors of the Company	**183**	182	**-**	-
Other emoluments				
- Directors of the Company	**8,495**	8,056	**7,264**	6,881
- Directors of subsidiaries	**16,122**	21,493	**3,705**	4,131
	24,800	29,731	**10,969**	11,012
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	**815**	886	**725**	687
- Directors of subsidiaries	**1,268**	1,148	**-**	-
Other emoluments				
- Director of subsidiaries	**480**	638	**-**	-
	2,563	2,672	**725**	687
Total directors' remuneration	**27,363**	32,403	**11,694**	11,699
Other key management personnel compensation	**59,428**	54,780	**1,710**	724
	86,791	87,183	**13,404**	12,423

32. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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 RM8,286,000 (2019: RM7,888,000) and RM1,405,000 (2019: RM1,303,000) respectively.

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Directors of the Company	**137**	131	**137**	131
Directors of subsidiaries	**444**	588	**93**	133
Other key management personnel	**1,769**	1,719	**15**	3
	2,350	2,438	**245**	267

33. TAX EXPENSE

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Malaysian income tax:				
- Current income tax	**340,306**	284,286	**163**	663
- (Over)/under provision in prior year	**(4,929)**	1,256	**(11)**	127
	335,377	285,542	**152**	790
Foreign income tax:				
- Current income tax	**1,772**	10,187	**-**	-
- (Over)/under provision in prior year	**(272)**	613	**-**	-
	1,500	10,800	**-**	-
Total income tax	**336,877**	296,342	**-**	790
Deferred tax (Note 24):				
- Relating to origination and reversal of temporary differences	**(32,740)**	(31,832)	**(14)**	-
- Under/(over) provision in prior year	**3,953**	(7,122)	**-**	-
Total deferred tax	**(28,787)**	(38,954)	**(14)**	-
Total tax expense	**308,090**	257,388	**138**	790

33. TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit before tax	**1,106,935**	1,476,813	**748,718**	1,177,169
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	**265,664**	354,435	**179,692**	282,521
Effect of different tax rates in other countries	**(1,483)**	(812)	**-**	-
Effect of gains taxed at Real Property Gains Tax rate	**(7,075)**	(3,579)	**-**	-
Income not subject to tax	**(69,130)**	(149,275)	**(232,681)**	(307,022)
Expenses not deductible for tax purposes	**75,876**	49,434	**53,138**	25,164
Effect of share of results of associates	**(5,166)**	(7,011)	**-**	-
Effect of share of results of joint ventures	**279**	146	**-**	-
Deferred tax assets not recognised	**50,373**	19,303	**-**	-
(Over)/under provision in prior year				
- income tax	**(5,201)**	1,869	**(11)**	127
- deferred tax	**3,953**	(7,122)	**-**	-
Tax expense for the year	**308,090**	257,388	**138**	790

34. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year 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	
	2020	**2019**
Profit attributable to owners of the Company (RM'000)	**750,179**	1,162,871
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**2,489,670**	2,489,672
Effect of shares buyback during the year	**-**	(2)
Weighted average number of ordinary shares at 31 December	**2,489,670**	2,489,670
Basic earnings per share (sen)	**30.13**	46.71

The Group has no potential dilutive shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

35. DIVIDENDS

	Group/Company	
	2020 RM'000	**2019 RM'000**
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2019:		
- first interim (15 sen per ordinary share under single tier system)	**-**	373,450
- second interim (20 sen per ordinary share under single tier system)	**-**	497,934
Dividends paid in respect of financial year ended 31 December 2020:		
- first interim (10 sen per ordinary share under single tier system)	**248,967**	-
- second interim (15 sen per ordinary share under single tier system)	**373,450**	-
	622,417	871,384

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2020.

No dividend is payable for treasury shares held or cancelled.

36. CAPITAL COMMITMENTS

	Group	
	2020	**2019**
	RM'000	**RM'000**
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	**289,620**	67,500
- Investment properties	**99,114**	52,073
	388,734	119,573

37. LEASE COMMITMENTS

Operating lease commitments

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	
	2020	**2019**
	RM'000	**RM'000**
Within one year	**63,518**	51,355
After one year but not more than five years	**83,088**	63,775
After five years	**-**	8,270
	146,606	123,400

38. SEGMENT INFORMATION

Segment information has been changed by combining the ceramic tiles business (previously included in the Building Materials segment) into 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, trading of general building materials and petroleum products; and manufacture and trading of tiles
(vi)	Building materials	-	Operation of stone quarries and asphalt plants, manufacture of bricks

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
2020									
Revenue									
External revenue	467,595	1,749,507	227,276	1,369,810	1,665,740	370,398	-	-	5,850,326
Inter-segment revenue	-	26,912	58,543	9,078	87,411	33,812	-	(215,756)	-
Total revenue	467,595	1,776,419	285,819	1,378,888	1,753,151	404,210	-	(215,756)	5,850,326
Results									
Operating profit	110,926	1,118,369	209,937	(65,001)	(63,841)	(33,708)	50,821	(87,590)	1,239,913
Finance costs									(247,118)
Other gain items									179,901
Other loss items									(87,764)
Share of results of associates									23,104
Share of results of joint ventures									(1,101)
Profit before tax									1,106,935
Tax expense									(308,090)
Profit for the year									798,845
Non-controlling interests									(48,666)
Profit attributable to owners of the Company									750,179

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
2020 (continued)								
Assets and liabilities								
Segment assets	2,205,172	6,491,505	3,117,731	766,067	1,081,896	1,030,459	1,961,999	16,654,829
Investment in associates								462,020
Investment in joint ventures								8,066
Deferred tax assets								106,928
Tax recoverable								38,119
Total assets								17,269,962
Segment liabilities	65,876	1,443,410	1,889,052	222,057	525,845	505,058	3,330,832	7,982,130
Deferred tax liabilities								487,669
Tax payable								142,570
Total liabilities								8,612,369
Other information								
Additions to non-current assets	54,664	269,974	5,090	25,969	25,366	16,921	1,476	399,460
Depreciation and amortisation	83,818	10,758	6,996	21,882	30,177	54,849	2,076	210,556
Impairment losses	-	1,706	-	4,201	26,213	36,992	7,175	76,287
Reversal of impairment losses	-	-	-	-	-	(332)	-	(332)

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
2019									
Revenue									
External revenue	418,598	2,046,665	245,554	1,489,256	2,366,543	529,451	-	-	7,096,067
Inter-segment revenue	-	21,752	69,695	5,166	86,922	62,373	-	(245,908)	-
Total revenue	418,598	2,068,417	315,249	1,494,422	2,453,465	591,824	-	(245,908)	7,096,067
Results									
Operating profit	39,351	914,849	259,097	(34,392)	25,636	37,497	(12,481)	(70,417)	1,159,140
Finance costs									(262,349)
Other gain items									578,023
Other loss items									(27,886)
Share of results of associates									30,386
Share of results of joint ventures									(501)
Profit before tax									1,476,813
Tax expense									(257,388)
Profit for the year									1,219,425
Non-controlling interests									(56,554)
Profit attributable to owners of the Company									1,162,871

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
2019 (continued)								
Assets and liabilities								
Segment assets	2,159,884	6,121,778	3,458,129	1,104,434	1,379,396	1,182,931	1,385,176	16,791,728
Investment in associates								469,185
Investment in joint ventures								8,760
Deferred tax assets								70,634
Tax recoverable								32,577
Total assets								17,372,884
Segment liabilities	72,617	1,666,731	2,094,327	441,823	848,013	697,631	2,361,049	8,182,191
Deferred tax liabilities								480,207
Tax payable								91,630
Total liabilities								8,754,028
Other information								
Additions to non-current assets	86,301	747,136	7,212	15,119	115,176	30,557	911	1,002,412
Depreciation and amortisation	77,385	9,926	6,765	20,088	31,716	70,165	2,101	218,146
Impairment losses	-	-	-	-	-	3,920	-	3,920
Reversal of impairment losses	-	-	-	-	-	-	(14,138)	(14,138)

38. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2020 RM'000	**2019 RM'000**
Property, plant and equipment	**162,252**	281,763
Investment properties	**77,908**	231,415
Land held for property development	**159,300**	489,234
	399,460	1,002,412

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Malaysia	**5,092,335**	5,973,729	**6,199,420**	6,266,054
Other Asian countries	**691,864**	1,081,815	**440,553**	470,978
Others	**66,127**	40,523	**69**	60
	5,850,326	7,096,067	**6,640,042**	6,737,092

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

	2020 RM'000	**2019 RM'000**
Property, plant and equipment	**3,385,120**	3,529,565
Investment properties	**1,912,593**	1,851,957
Land held for property development	**1,304,291**	1,311,767
Intangible assets	**38,038**	43,803
	6,640,042	6,737,092

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, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

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				
2020				
Assets measured at fair value				
Investment properties (Note 5)	**1,912,593**	**-**	**-**	**1,912,593**
Equity investments (Note 12)	**85,374**	**70,362**	**-**	**15,012**
Money market deposits (Note 17)	**2,024,048**	**-**	**2,024,048**	**-**
Biological assets (Note 15)	**33,960**	**-**	**-**	**33,960**
Derivative financial assets (Note 12)				
Forward currency contracts	**131**	**-**	**131**	**-**
Derivative financial liabilities (Note 12)				
Forward currency contracts	**(16,494)**	**-**	**(16,494)**	**-**
Cross currency interest rate swaps	**(6,688)**	**-**	**(6,688)**	**-**

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 (continued)				
2019				
Assets measured at fair value				
Investment properties (Note 5)	1,851,957	-	-	1,851,957
Equity investments (Note 12)	95,463	80,451	-	15,012
Money market deposits (Note 17)	1,217,369	-	1,217,369	-
Biological assets (Note 15)	25,714	-	-	25,714
Derivative financial assets (Note 12)				
Forward currency contracts	50	-	50	-
Cross currency interest rate swaps	7,413	-	7,413	-
Derivative financial liabilities (Note 12)				
Forward currency contracts	(7,827)	-	(7,827)	-
Cross currency interest rate swaps	(8,716)	-	(8,716)	-

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets				
Lease receivables	**282**	1,079	**-**	-
Hire purchase receivables	**1,186,769**	1,310,733	**-**	-
Amount due from a joint venture	**6,355**	6,229	**-**	-
Deposits with licensed banks	**652,732**	503,888	**41,271**	159,785
	1,846,138	1,821,929	**41,271**	159,785
Financial liabilities				
Amount due to an other related party	**-**	(38,772)	**-**	-
Term loans	**(326,430)**	(457,835)	**-**	-
Lease liabilities	**(126,865)**	(138,323)	**(24)**	-
	(453,295)	(634,930)	**(24)**	-
	1,392,843	1,186,999	**41,247**	159,785
Floating rate instruments				
Financial assets				
Loan receivables	**1,831,307**	1,748,095	**-**	-
Amount due from a subsidiary	**-**	-	**85,064**	-
	1,831,307	1,748,095	**85,064**	-
Financial liabilities				
Amount due to a subsidiary	**-**	-	**(183,950)**	(316,050)
Term loans	**(1,319,632)**	(1,816,651)	**-**	-
Revolving credits	**(1,556,118)**	(1,935,745)	**-**	-
Medium term notes	**(3,090,000)**	(1,690,000)	**-**	-
Trust receipts	**(31,385)**	(47,990)	**-**	-
Bankers' acceptances	**(167,090)**	(432,965)	**-**	-
	(6,164,225)	(5,923,351)	**(183,950)**	(316,050)
	(4,332,918)	(4,175,256)	**(98,886)**	(316,050)

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 2020 for the Group and the Company were 1.27% (2019: 1.69%) and 0.08% (2019: 1.40%) respectively and will mature within 3 months (2019: 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		**Company**	
	100 bp increase RM'000	**100 bp decrease RM'000**	**100 bp increase RM'000**	**100 bp decrease RM'000**
2020				
Floating rate instruments	**(28,366)**	**28,366**	**(752)**	**752**
2019				
Floating rate instruments	(23,696)	23,696	(2,402)	2,402

(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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

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

	Net unhedged financial assets/(liabilities) held in non-functional currencies					
	USD RM'000	**SGD RM'000**	**VND RM'000**	**Euro RM'000**	**RMB RM'000**	**Total RM'000**
Group						
Functional currency of Group entities						
2020						
RM	**(63,537)**	**41,823**	**-**	**(506)**	**-**	**(22,220)**
Indonesian Rupiah ["IDR"]	**(13,042)**	**-**	**-**	**-**	**-**	**(13,042)**
SGD	**1,534**	**-**	**-**	**(13,650)**	**(3,597)**	**(15,713)**
RMB	**1,165**	**-**	**-**	**-**	**-**	**1,165**
	(73,880)	**41,823**	**-**	**(14,156)**	**(3,597)**	**(49,810)**
2019						
RM	763,190	164,539	-	(270)	8,284	935,743
IDR	361	-	-	-	-	361
SGD	249,094	-	5,193	(18,636)	(2,221)	233,430
RMB	579	-	-	-	-	579
	1,013,224	164,539	5,193	(18,906)	6,063	1,170,113

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**	**GBP RM'000**	**Total RM'000**
Company				
Functional currency of the Company				
2020				
RM	**319**	**126,211**	**-**	**126,530**
2019				
RM	894,197	159,468	33	1,053,698

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
USD	**(2,815)**	39,374	**12**	33,979
SGD	**1,589**	6,252	**4,796**	6,060
VND	**-**	216	**-**	-
Euro	**(585)**	(783)	**-**	-
GBP	**-**	-	**-**	1
RMB	**(149)**	252	**-**	-

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						
2020						
Designated as fair value through profit or loss						
Receivables hedge	**USD**	**5,789**	**-**	**5,789**	**88**	**-**
Payables hedge	**USD/JPY/ Euro**	**55,754**	**-**	**55,754**	**-**	**(849)**
Borrowings hedge	**USD/Euro**	**19,955**	**-**	**19,955**	**43**	**(408)**
Firm commitment hedge	**USD**	**262,674**	**-**	**262,674**	**-**	**(4,140)**
		344,172	**-**	**344,172**	**131**	**(5,397)**
Designated as cash flow hedges						
Borrowings hedge	**USD**	**645,055**	**-**	**645,055**	**-**	**(17,785)**
		989,227	**-**	**989,227**	**131**	**(23,182)**

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities (continued)

					Fair value	
	Currency	Within 1 year RM'000	1 - 5 years RM'000	Notional amount RM'000	Assets RM'000	(Liabilities) RM'000
Group (continued)						
2019						
Designated as fair value through profit or loss						
Receivables hedge	USD	2,882	-	2,882	50	-
Payables hedge	USD	34,948	-	34,948	-	(594)
Borrowings hedge	USD/Euro/ RMB	14,244	-	14,244	-	(70)
Firm commitment hedge	USD	226,803	-	226,803	-	(2,750)
		278,877	-	278,877	50	(3,414)
Designated as cash flow hedges						
Borrowings hedge	USD	747,215	354,564	1,101,779	7,413	(13,129)
		1,026,092	354,564	1,380,656	7,463	(16,543)

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							
2020							
Non-derivative financial liabilities							
Borrowings							
Term loans	1,646,062	1.95 – 5.00	1,732,040	1,189,221	129,732	246,295	166,792
Revolving credits	1,556,118	1.98 – 7.15	1,564,043	1,564,043	-	-	-
Bankers' acceptances	167,090	1.88 – 3.00	167,974	167,974	-	-	-
Trust receipts	31,385	1.24 – 2.39	31,983	31,983	-	-	-
Medium term notes	3,090,000	2.84 – 3.09	3,353,874	366,016	550,165	2,437,693	-
Lease liabilities	126,865	1.50 – 7.57	200,574	31,072	23,467	24,452	121,583
Accruals	269,229	7.05	331,739	121,214	-	-	210,525
Deposit received	21,647	3.00 – 4.74	23,080	4,838	12,694	3,753	1,795
Trade and other payables	752,211	-	752,211	751,643	31	537	-
	7,660,607		8,157,518	4,228,004	716,089	2,712,730	500,695
Derivative financial liabilities							
Designated as hedging instruments							
Cash flow hedges	17,785	-	17,785	17,785	-	-	-
Not designated as hedging instruments							
Forward currency contracts	5,397	-	5,397	5,397	-	-	-
	23,182		23,182	23,182	-	-	-
	7,683,789		8,180,700	4,251,186	716,089	2,712,730	500,695

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)							
2019							
Non-derivative financial liabilities							
Borrowings							
Term loans	2,274,486	1.88 – 5.00	2,464,350	1,099,305	846,522	223,494	295,029
Revolving credits	1,935,745	3.31 – 7.90	1,954,787	1,954,787	-	-	-
Bankers' acceptances	432,965	2.60 – 4.14	434,291	434,291	-	-	-
Trust receipts	47,990	1.49 – 2.68	49,064	49,064	-	-	-
Medium term notes	1,690,000	4.24 – 4.52	1,926,494	73,260	345,676	1,507,558	-
Lease liabilities	138,323	1.30 – 4.73	215,572	32,158	26,728	29,672	127,014
Accruals	366,869	7.05	439,449	228,924	-	-	210,525
Deposit received	23,115	4.19 – 4.82	24,655	10,237	7,179	3,881	3,358
Amount due to an other related party	38,772	4.00	40,323	40,323	-	-	-
Trade and other payables	1,022,791	-	1,022,791	1,022,166	157	468	-
	7,971,056		8,571,776	4,944,515	1,226,262	1,765,073	635,926
Derivative financial liabilities							
Designated as hedging instruments							
Cash flow hedges	13,129	-	13,129	10,862	2,267	-	-
Not designated as hedging instruments							
Forward currency contracts	3,414	-	3,414	3,414	-	-	-
	16,543		16,543	14,276	2,267	-	-
	7,987,599		8,588,319	4,958,791	1,228,529	1,765,073	635,926

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	1 – 2 years RM'000
Company					
2020					
Non-derivative financial liabilities					
Lease liabilities	**24**	**3.51**	**25**	**16**	**9**
Trade and other payables	**4,052**	**-**	**4,052**	**4,052**	**-**
Amount due to a subsidiary	**183,950**	**3.00**	**189,469**	**189,469**	**-**
	188,026		**193,546**	**193,537**	**9**
2019					
Non-derivative financial liabilities					
Trade and other payables	7,511	-	7,511	7,511	-
Amount due to a subsidiary	316,050	4.49	330,241	330,241	-
	323,561		337,752	337,752	-

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

Measurement of expected credit loss ["ECL"]

The Group applies the MFRS 9 simplified approach in measuring expected credit losses which estimates a lifetime expected credit loss allowance for trade receivables. Expected credit losses are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using external credit ratings, if they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Corporation's historical experience.

The Group assessed ECL for trade receivables based on two different approaches, namely collective assessment and individual debtor assessment.

(i) Collective approach

To measure the expected credit losses under the collective approach, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. The expected loss rates are developed based on the historical credit losses rate. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

(ii) Individual debtor assessment

The Group applies individual debtor assessment for debtors with different risk characteristics, where the credit risk information of these debtors is obtained and monitored individually.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

The ageing analysis of trade receivables at the end of the reporting date is as follows:

	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Net amount RM'000
Group				
2020				
Not past due	**3,137,742**	**-**	**(25,712)**	**3,112,030**
Past due 1 – 30 days	**400,480**	**(514)**	**(5,462)**	**394,504**
Past due 31 – 90 days	**552,764**	**(171)**	**(8,639)**	**543,954**
Past due more than 90 days	**214,757**	**(56,667)**	**(3,119)**	**154,971**
	4,305,743	**(57,352)**	**(42,932)**	**4,205,459**
2019				
Not past due	2,990,954	-	(6,910)	2,984,044
Past due 1 – 30 days	426,445	(764)	(2,647)	423,034
Past due 31 – 90 days	503,296	(811)	(4,160)	498,325
Past due more than 90 days	204,118	(51,402)	(3,176)	149,540
	4,124,813	(52,977)	(16,893)	4,054,943

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 RM6,118,643,000 (2019: RM5,933,730,000) 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) 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 RM28,190,000 (2019: RM5,591,000) 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	
	2020 RM'000	**2019 RM'000**
Borrowings (Note 22)	**6,490,655**	6,381,186
Money market deposits (Note 17)	**(2,024,048)**	(1,217,369)
Cash and bank balances (Note 18)	**(960,872)**	(1,090,193)
Net borrowings	**3,505,735**	4,073,624
Total equity excluding intangible assets	**8,619,555**	8,575,053
Net debt-to-equity ratio (times)	**0.41**	0.48

The net debt-to-equity ratio is not governed by MFRS and its definition and calculation may vary from one group/company to another.

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.

Related parties	Transactions	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Directors of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	**(82)**	(82)	**-**	-
Datuk Simon Shim Kong Yip, JP	Sale of property under development	**-**	977	**-**	-
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	Sale of property	**1,632**	-	**-**	-
	Sale of motor vehicle	**345**	-	**-**	-
Directors of subsidiaries:					
Au Siew Loon	Sale of property under development	**178**	148	**-**	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Corporated International Consultants	Project consultancy fee payable	**(1,683)**	(5,332)	**-**	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim Pang & Co	Legal fees	**(325)**	(798)	**-**	-
	Servicing of motor vehicles	**2**	12	**-**	-

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	**(4,640)**	(4,340)	**(4,640)**	(4,340)
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	**(800)**	(1,230)	**(800)**	(1,230)
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	**37,434**	30,172	**-**	-

^ *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 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 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 subsidiary	**-**	728,764	**-**	-
	Disposal of lands	**-**	27,142	**-**	-
	Sale of products	**2,877**	62,930	**-**	-
	Sale of property stocks	**47,081**	-	**-**	-
	Handling fees	**754**	-	**-**	-
	Sale of used motor vehicles	**-**	1,303	**-**	-
	Administration fees	**127**	129	**-**	-
	Rental income	**346**	1,115	**-**	-
	Utilities and maintenance charges	**2**	7	**-**	-
	Project management, marketing and construction services	**114,239**	338,019	**-**	-
	Dealers' system charges	**50**	584	**-**	-
	Technical plan charges	**-**	8	**-**	-
	Purchase of products	**(103)**	(67,141)	**-**	-
	Rental expenses	**(14,706)**	(18,039)	**-**	-
	Administrative charges	**(152)**	(127)	**-**	-
	Interest expense	**(872)**	(2,765)	**-**	-
	Rescindment of MMSB SPA and Lease Agreement	**-**	(96,977)	**-**	-
	Utility charges	**(508)**	(95)	**-**	-
	Wholesale target incentive	**-**	(121)	**-**	-
	Quarry tribute	**(744)**	(740)	**-**	-
	Dividend paid	**(11,970)**	(14,630)	**-**	-

43. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Rental income	**185**	180	**-**	-
	Sale of products	**314**	478	**-**	-
	Utilities and maintenance charges	**9**	11	**-**	-
	Handling fees	**1,801**	1,629	**-**	-
	Insurance premium *	**(13,818)**	(16,282)	**(167)**	(169)
	Handling charges	**(224)**	(1,303)	**-**	-
Associates	Sale of products	**290**	339	**-**	-
	Interest income	**-**	184	**-**	-
	Plantation management fee income	**257**	257	**-**	-
	Dividend income	**-**	-	**8,520**	5,737
Joint ventures	Sale of products	**3,541**	3,799	**-**	-
	Rental income	**3,035**	1,310	**-**	-
	Interest income	**302**	92	**-**	-
	Administration fee	**1,666**	694	**-**	-
	Receiving of services	**(2,551)**	(4,323)	**-**	-
	Purchase of products	**(23,508)**	(6,581)	**-**	-
Subsidiaries	Interest income	**-**	-	**2,639**	-
	Dividend income	**-**	-	**714,787**	1,165,326
	Servicing of motor vehicles	**-**	-	**(114)**	(116)
	Rental expenses	**-**	-	**(28)**	(28)
	Management fees	**-**	-	**(163)**	(137)
	Hire of motor vehicles	**-**	-	**(1,325)**	(1,095)
	Interest expense	**-**	-	**(12,866)**	(9,496)

* *This relates to insurance premiums paid/payable via a related company acting as an insurance agent.*

Compensation to key management personnel is as disclosed in Note 32.

43. RELATED PARTIES (CONTINUED)

(b) Balances with related parties

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amount due from/(to)				
Corporated International Consultants	**(248)**	(343)	**-**	-
Shim Pang & Co	**(47)**	(45)	**-**	-
Samling Strategic Corporation Sdn Bhd Group	**7,995**	12,572	**-**	-
Lei Shing Hong Limited Group	**518,814**	7,865	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	**(972)**	1,070	**-**	-
Associates	**74**	86	**-**	-
Joint ventures	**(1,007)**	753	**-**	-
Subsidiaries	**-**	-	**(708)**	(932)

The above balances arose from recurrent related party transactions of revenue or trading nature.

44. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 15 January 2020, *Hap Seng Land Development Sdn Bhd subscribed 35,999 ordinary shares representing 80% of the issued share capital of Sierra Ventures Sdn Bhd ["Sierra"]. With the aforesaid subscription, Sierra became an 80%-owned subsidiary of the Company.

(b) On 22 January 2020, *Hap Seng Auto Sdn Bhd incorporated a wholly-owned subsidiary namely, Hap Seng Body & Paint Sdn Bhd (*formerly known as Empire Translink Sdn Bhd*) ["HSBP"]. HSBP, with an issued share capital of RM1.00 comprising 1 ordinary share, will be principally involved in providing services and parts for repairing, painting and servicing of motor vehicles.

(c) On 11 February 2020, *HSC International Limited incorporated four wholly-owned subsidiaries in Singapore namely, HSC London Holding Pte Ltd, HSC Leeds Holding Pte Ltd, HSC Bristol Holding Pte Ltd and HSC Nottingham Holding Pte Ltd. All the subsidiaries have an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and are principally involved in investment holding.

(d) On 26 February 2020, *HSC London Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (London) Ltd ["HC London"]. HC London, with an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share, is currently dormant.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(e) On 26 February 2020, *HSC Leeds Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Leeds) Ltd ["HC Leeds"]. HC Leeds, with an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share, is currently dormant.

(f) On 26 February 2020, *HSC Bristol Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Bristol) Ltd ["HC Bristol"]. HC Bristol, with an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share, is currently dormant.

(g) On 26 February 2020, *HSC Nottingham Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Nottingham) Ltd ["HC Nottingham"]. HC Nottingham, with an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share, is currently dormant.

(h) On 5 March 2020, *Hap Seng Realty Sdn Bhd incorporated a wholly-owned subsidiary namely, Prosperity Sunland Sdn Bhd ["Prosperity Sunland"]. Prosperity Sunland, with an issued share capital of RM1.00 comprising 1 ordinary share, is principally involved in property investment.

(i) On 12 March 2020, *Hap Seng Land Development (Balakong) Sdn Bhd incorporated a wholly-owned subsidiary namely, Sunrise Strategy Sdn Bhd ["Sunrise Strategy"]. Sunrise Strategy, with an issued share capital of RM1.00 comprising 1 ordinary share, will be principally involved in property investment.

(j) On 20 May 2020, *Hap Seng Land Development Sdn Bhd ["HSLD"] incorporated a wholly-owned subsidiary namely, Future Golden Development Sdn Bhd ["FGD"]. FGD, with an issued share capital of RM1.00 comprising 1 ordinary share, is principally involved in property development.

(k) On 25 August 2020, *Hap Seng Realty Sdn Bhd entered into a share sale agreement to acquire the remaining 1,130,000 ordinary shares representing 20% of the issued share capital of Desa Alam Mewah Sdn Bhd ["Desa Alam"] from Jinee Sdn Bhd, for a cash consideration of RM2,470,983.26. Desa Alam is principally involved in property investment. With completion of the aforesaid acquisition on 10 September 2020, Desa Alam became a wholly-owned subsidiary of the Company.

(l) On 28 September 2020, 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 namely, Hafary Trading Sdn Bhd ["HTSB"] in Malaysia. HTSB, with an issued share capital of RM1.00 comprising 1 ordinary share, will be principally engaged in trading and distribution of building materials.

(m) On 30 September 2020, *Hap Seng Building Materials Holdings Sdn Bhd acquired the remaining 4,800,000 ordinary shares representing 30% of the issued share capital of Hap Seng Seri Alam Sdn Bhd ["HSSA"] from Seri Alam Properties Sdn Bhd for a cash consideration of RM1.00. HSSA is principally involved in operation of stone quarry. With the aforesaid acquisition, HSSA became a wholly-owned subsidiary of the Company.

(n) On 19 October 2020, *Hap Seng Realty Sdn Bhd, incorporated a wholly-owned subsidiary namely, Caliber Suncity Sdn Bhd ["Caliber Suncity"]. Caliber Suncity, with an issued share capital of RM1.00 comprising 1 ordinary share, is principally involved in property investment.

44. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(o) During the financial year, the Company had acquired additional of 66,074,500 ordinary shares representing approximately 8.26% of equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] through direct business transaction at an average price of RM1.65 per share and disposed of a total of 10,206,700 ordinary shares representing approximately 1.28% of equity interest in HSP via open market at an average price of RM1.78 per share. The Company's shareholding in HSP stood at 60.03% at the end of the financial year after the aforesaid acquisition and disposal of HSP shares.

(p) The outbreak of the COVID-19 pandemic has impacted economic activities worldwide. Malaysia has imposed restrictions on non-essential services and business operations, and has also implemented travel restrictions, border closures and other quarantine measures that have significantly curtailed the normal movements of goods, services and people.

The Group has performed an assessment of the overall impact of the pandemic to the Group's operations, including the recoverability of the carrying amounts of assets and liabilities. Based on currently available information, the impact of the COVID-19 to the Group and the Company for the financial year ended 31 December 2020 including expected credit loss ["ECL"] and impairment of non-current assets have been reflected in this set of financial statements.

As the pandemic continues to evolve subsequent to the financial year ended 31 December 2020, the Group is unable to reasonably estimate the full extent and duration of the impact on its operations and financial performance. However, the Group shall continue to monitor the development of the event and put in place stringent measures to mitigate the impact to its operations.

* *These are the Company's wholly-owned subsidiaries.*

45. SUBSEQUENT EVENTS

(a) On 11 January 2021 [the "said date'] , Caliber Suncity Sdn Bhd ["Caliber Suncity"], a wholly-owned subsidiary of the Company entered into a sale and purchase agreement [the "said SPA"] with Victoria Land Sdn Bhd ["Victoria Land"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which Victoria Land had agreed to dispose of all those three (3) adjoining parcels of industrial land held under Lot 11360, PN 11151, Lot 11361, PN 11152 and Lot 11365, PN 394, Daerah and Negeri Wilayah Persekutuan Labuan situated at Kg Rancha-Rancha, Off Jalan Patau-Patau, 87000 Federal Territory of Labuan [the "said Lands"] together with buildings erected thereon [the "said Buildings"] to Caliber Suncity for a cash consideration of RM205,250,000 [the "said Purchase Consideration" or the "Proposed Acquisition" respectively]. Victoria Land had entered into a 20-year principal lease expiring in 2032 for the said Lands and various sub-leases in respect of some but not all of the said Buildings with Asian Supply Base Sdn Bhd, a wholly-owned subsidiary of the State Government of Sabah.

The said Proposed Acquisition 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 51.69% shareholding in LSH comprising 37.84% shareholding held via Lead Star Business Limited and 13.85% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. He was a 56.00% major shareholder and a director of Gek Poh.

As at the said date, Gek Poh held 13.85% shareholding in LSH and Gek Poh's aggregate shareholding in the Company was 62.64%, comprising 54.63% direct shareholding and 8.01% 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 11.27% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed Acquisition.

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. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed Acquisition.

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 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 deemed interested in the Proposed Acquisition.

As at the said date, Mr Chong Chee Wooi was the deputy finance director of the Company and a director of Akal Megah and Victoria Land respectively. Premised on the aforesaid, he was deemed interested in the Proposed Acquisition.

The Proposed Acquisition was completed on 12 January 2021 in accordance with the terms and condition of the said SPA with the payment of the said Purchase Consideration to Victoria Land.

(b) Subsequent to the financial year, the Company disposed of a total of 1,139,700 ordinary shares representing approximately 0.14% of equity interest in HSP via open market at an average price of RM1.83 per share, thereby reducing its shareholding in HSP from 60.03% to 59.89%.

* *These are the Company's wholly-owned subsidiaries.*

ADDITIONAL INFORMATION

The following additional information are provided in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) On 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 *(now known as LSHC 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 status of the utilisation of proceeds from the HSH Disposal as at 31 December 2020 was as follows:

	Proposed Utilisation Per *Circular RM'000	**Proposed Utilisation **Adjusted RM'000**	**As at 31 December 2020 Utilisation RM'000**	**Deviation 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	40,632	59,368	^
(b) Menara Hap Seng 3	200,000	200,000	200,000	-	
	300,000	300,000	240,632	59,368	
(ii) Purchase of inventories					
(a) automobiles	20,664	30,293	31,884	(1,591)	
(b) fertilizers	30,000	30,000	89,368	(59,368)	
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	30,000	-	
	80,664	90,293	151,252	(60,959)	
	380,664	390,293	391,884	(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**	**780,793**	-	

* Circular to Shareholders dated 16 May 2018.

** *The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual 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 project has been deferred and the balance unutilised of RM59.368 million has been utilised for working capital requirement under item (ii)(b).*

@ *The net under spent of RM1.591 million has been utilised for working capital requirement under item (ii)(a).*

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONTINUED)

(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 status of the utilisation of proceeds from HSCSB Disposal as at 31 December 2020 was as follows:

	Proposed Utilisation RM'000	As at 31 December 2020 Utilisation RM'000	As at 31 December 2020 Balance Unutilised RM'000	Deviation under/(over) spent RM'000
Working capital requirements:				
Loan disbursements of HSCSB's credit financing division 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)**

\# *As set out in the Circular to Shareholders dated 16 May 2018, the intended timeframe for utilisation is within 24 months from completion, i.e by 8 June 2020 ["Circular Expiry Date"]. On 13 May 2020, the board of directors resolved to extend the Circular Expiry Date by 18 months to enable the Company to better assess the COVID-19 pandemic impact to HSCSB and its credit financing activities.*

^ *Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed.*

@ *The over spent of RM83,000 was set-off against the balance unutilised for working capital requirement under item (e).*

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONTINUED)

(c) On 13 November 2019, HSC Melbourne Holding Pte Ltd, an indirect wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HS Credit (Melbourne) Pty Ltd *(now known as LSH Credit (Melbourne) Pty Ltd)* comprising 80,000,100 ordinary shares to LSHCL, for a cash consideration of USD175.5 million which is equivalent to RM728.8 million ["HCMPL Disposal"].

The status of the utilisation of proceeds from the HCMPL Disposal as at 31 December 2020 was as follows:

	Proposed Utilisation		As at 31 December 2020		Deviation
	Per *Circular RM'000	**Adjusted RM'000	Utilisation RM'000	Balance Unutilised RM'000	under/(over) spent RM'000
Repayment of borrowings	500,000	500,000	500,000	-	-
Working capital requirements:					
(i) Property development and property investment costs *Part finance the KL Midtown mixed development and the construction of Hyatt Centric Kota Kinabalu hotel*	125,000	125,000	125,000	-	-
(ii) Purchase of inventories					
(a) fertilizers	40,000	40,000	40,000	-	-
(b) automobiles	26,044	33,064	33,148	-	(84)
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	26,910	3,090	- ^
	96,044	103,064	100,058	3,090	(84)
	221,044	228,064	225,058	3,090	(84)
Payment of fees and expenses for HCMPL Disposal	700	700	616	-	84 @
	721,744	**728,764**	**725,674**	**3,090**	**-**

* *Circular to Shareholders dated 22 October 2019. The intended timeframe for utilisation is within 24 months from completion.*

** *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 RM7.020 million which was allocated to the proposed utilisation for the working capital requirement under item (ii)(b).*

^ *Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed.*

@ *The net under spent of RM84,000 has been utilised for working capital requirement under (ii)(b).*

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 2020 was RM570,000 as disclosed in Note 30 to the Financial Statements.

3. MATERIAL CONTRACT

Material contract of the Company's subsidiary involving directors' and major shareholders' interest is disclosed in Note 45(a) to the Financial Statements.

Other than that disclosed in Note 45(a), 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 2020, and/or entered into since 31 December 2019.

4. RECURRENT RELATED PARTY TRANSACTIONS

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 2020 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 25 May 2021.

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 31/12/2020 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	-	643,433
Lot 11383, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	4,376 m^2	Menara Hap Seng 2 31-storey office building for rental	November 2020	Freehold	-	7	379,136
Lot PT 118, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	2,728 m^2	Menara Hap Seng 3 26-storey office building for rental	December 2020	Freehold	-	1	355,008
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	7,436 m^2	Menara Hap Seng 22-storey office building for rental	December 2020	Freehold	-	48	279,770
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	December 2020	Freehold	-	5 - 14	216,321
SABAH							
KOTA KINABALU							
29, Jalan Tunku Abdul Rahman, Kota Kinabalu.	8,741 m^2	Plaza Shell, 14-storey office building for rental	December 2020	Leasehold 99 years	2073	6	329,143
Mile 13, Jalan Tuaran, Menggatal, Kota Kinabalu	621,409 m^2	Land held for development	July 2019	Leasehold 999 years	2905	-	248,783

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 31/12/2020 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 - 52	
Tabin Estate	3,055 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	1 - 35	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	2 - 44	
Litang Estate	1,571 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	2 - 35	853,579
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	2 - 25	
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	2 - 25	

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 31/12/2020 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU (CONTINUED)							
Batangan Estate	3,633 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	2 - 38	
Lutong Estate	2,448 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	5 - 29	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	5 - 24	563,979
Kapis Estate	2,681 ha	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	January 2017	Leasehold 99 years	2078	1 - 34	
Lungmanis Estate	2,200 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	5 - 23	
SINGAPORE							
18, Sungei Kadut Street 2, Singapore, 729236	9,920 m^2	7-storey industrial building	February 2015	Leasehold 34 years	2043	5	145,393

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2020	**2019**	**2018**	**2017**	**2016**
CROP PRODUCTION - TONNES					
FFB	**637,131**	675,587	657,259	655,957	662,774
PROCESSED - TONNES					
FFB - own	**623,169**	659,427	640,737	640,507	643,731
FFB - purchased	**79,106**	66,356	80,746	85,006	91,707
Palm Oil	**144,977**	152,017	148,651	150,695	154,682
Palm Kernel	**33,594**	35,402	34,802	35,183	35,872
EXTRACTION RATE - %					
Palm Oil	**20.64**	20.95	20.60	20.77	21.03
Palm Kernel	**4.78**	4.88	4.82	4.85	4.88
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	**5,040**	4,340	4,491	5,615	5,626
> 7 years to 17 years	**10,196**	9,794	8,522	6,839	7,246
> 17 years onwards	**17,050**	18,324	19,125	19,569	19,502
Total mature area	**32,286**	32,458	32,138	32,023	32,374
AVERAGE YIELD - TONNES HECTARE					
FFB yield per mature hectare	**19.73**	20.81	20.45	20.48	20.47
Oil per mature hectare	**4.07**	4.36	4.21	4.25	4.31
AVERAGE SELLING PRICE RM/TONNE					
FFB	**510**	371	396	536	521
Palm Oil	**2,788**	2,143	2,300	2,885	2,643
Palm Kernel	**1,681**	1,311	1,825	2,560	2,564

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2020

	River Estates Group	Jeroco Group	* Kota Marudu	Pelipikan	Total
Oil Palm					
Mature	18,935	11,863	585	903	32,286
Immature	2,289	859	-	-	3,148
Total Oil Palm	21,224	12,722	585	903	35,434
Other crop	60	86	-	-	146
Total planted area	21,284	12,808	585	903	35,580
Reserves	27	5	81	-	113
Buildings, roads etc	2,126	1,304	142	462	4,034
Total	**23,437**	**14,117**	**808**	**1,365**	**39,727**

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 31 MARCH 2021

Total number of issued shares	:	2,489,681,583 (including 12,000 treasury shares)
Class of shares	:	ordinary share
Voting rights	:	one vote per ordinary share
Number of shareholders	:	8,922

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	430	4.82	7,177	#
100 to 1,000	1,862	20.87	1,173,026	0.05
1,001 to 10,000	4,089	45.83	18,873,104	0.76
10,001 to 100,000	2,162	24.23	65,844,603	2.64
100,001 to less than 5% of issued shares	376	4.22	355,825,911	14.29
5% & above of issued shares	3	0.03	2,047,945,762	82.26
Total	**8,922**	**100.00**	**2,489,669,583**	**100.00**

* *The number of 2,489,669,583 ordinary shares which was arrived at after deducting 12,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

No.		Shareholding	%[3]
1.	Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	488,486,640	19.62
3.	Hap Seng Insurance Services Sdn Bhd	199,364,580	8.01
4.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	104,642,900	4.20
5.	Chinchoo Investment Sdn. Berhad	13,578,380	0.55
6.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	12,822,000	0.52
7.	Gan Teng Siew Realty Sdn. Berhad	12,308,600	0.49
8.	Key Development Sdn. Berhad	11,008,800	0.44
9.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	9,016,900	0.36
10.	Mikdavid Sdn Bhd	8,320,600	0.33
11.	H'ng Poh Gin	7,663,800	0.31
12.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	6,440,081	0.26

No.		Shareholding	%(3)
13.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	5,790,440	0.23
14.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	4,121,500	0.17
15.	Rengo Malay Estate Sendirian Berhad	4,032,000	0.16
16.	Bidor Tahan Estates Sdn. Bhd.	3,780,000	0.15
17.	HSBC Nominees (Asing) Sdn Bhd - J.P Morgan Securities PLC	3,711,100	0.15
18.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	2,688,200	0.11
19	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (INSEA)	2,311,800	0.09
20.	Citigroup Nominees (Asing) Sdn Bhd - UBS AG	2,263,119	0.09
21.	Gemas Bahru Estates Sdn. Bhd.	2,243,000	0.09
22.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts	2,223,500	0.09
23.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for MSCI Equity Index Fund B - Malaysia	2,180,500	0.09
24.	Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	2,131,687	0.09
25.	Chinchoo Holdings (S) Private Limited	2,041,200	0.08
26.	HSBC Nominees (Asing) Sdn Bhd - TNTC for QSUPER	1,912,500	0.08
27.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund AGE3 for People's Bank of China	1,855,600	0.07
28.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,844,782	0.07
29.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Government Pension Investment Fund (MTBJ-400045794)	1,809,862	0.07
30.	Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund OD75 for Ishares Public Limited Company	1,728,900	0.07
	Total	2,282,417,513	91.67

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2021

SUBSTANTIAL SHAREHOLDERS

	Direct Shareholding		Indirect Shareholding	
	No. of Shares	%[3]	No. of Shares	%[3]
Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63	199,364,580 [1]	8.01
Hap Seng Insurance Services Sdn Bhd ("Hap Seng Insurance")	199,364,580	8.01	-	-
Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	280,675,660	11.27	-	-
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 2,489,669,583 which was arrived at after deducting 12,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.*

DIRECTORS' SHAREHOLDINGS

AS AT 31 MARCH 2021

	Direct Shareholding		Indirect Shareholding	
Related Corporation	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Hap Seng Plantations Holdings Berhad ("HSP")				
Ms. Cheah Yee Leng	41,200	0.005	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	5,000	0.001	-	-

As at 31 March 2021, none of the directors of the Company have any direct and/or indirect shareholdings in the Company.

Note:

(1) *For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,685,200 which was arrived at after deducting 314,800 treasury shares held by HSP from its issued shares of 800,000,000 ordinary shares.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 45th annual general meeting of Hap Seng Consolidated Berhad will be conducted by way of a fully virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 25 May 2021 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2020 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 & 4

   (a) Datuk Edward Lee Ming Foo, JP **Resolution 1**

   (b) Mr. Leow Ming Fong @ Leow Min Fong **Resolution 2**

   (c) Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah **Resolution 3**

3. To re-elect Mr. Wong Yoke Nyen who shall retire in accordance with clause 122 of the Company's constitution and being eligible, has offered himself for re-election. Notes 3 & 4 **Resolution 4**

4. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM795,245.00 for the financial year ended 31 December 2020. Note 5 **Resolution 5**

5. To reappoint Messrs Ernst & Young PLT as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 6 **Resolution 6**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:-

6. **Authority to allot shares pursuant to section 75 of the Companies Act 2016**

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 7 **Resolution 7**

7. **Continuation of Lt Gen (R) Datuk Abdul Aziz Bin Hasan as an independent non-executive director**

"That pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Lt Gen (R) Datuk Abdul Aziz Bin Hasan who has served as an independent non-executive director of the Company for almost 9 years be and is hereby authorised to continue in office as an independent non-executive director of the Company until the conclusion of the next annual general meeting." Note 8 **Resolution 8**

8. **Proposed renewal of 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 27 April 2021, which 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 is 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 (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the proposed renewal of shareholders' mandate." Note 9 **Resolution 9**

9. **Proposed renewal of share buy-back authority**

"That subject always to section 127 of the Companies Act 2016, the Company's 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 2020; 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 occurs 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 part thereof as treasury shares and cancel the remainder; and/or
(iii) 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
(iv) transfer the treasury shares or any of the said shares as purchase consideration; and/or
(v) in any other manner as prescribed by the Companies Act 2016,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 10 **Resolution 10**

By order of the Board

Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No. 202008003410
Company Secretary

Kuala Lumpur
27 April 2021

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. *Pursuant to clause 122 of the Company's constitution and paragraph 7.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, any director so appointed, either to fill a casual vacancy or as an addition to the board of directors, shall hold office until the next AGM of the Company, and shall then be eligible for re-election.*

4. *Based on the satisfactory outcome of its review, the nominating committee had made recommendations to the board of directors that these directors be eligible to stand for re-election.*

5. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries. The directors' fees of RM795,245.00 excludes any directors' fees payable by its listed subsidiaries where their respective shareholders' approval has been obtained/is to be obtained.*

6. *Pursuant to section 271(4) and section 273(b) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM.*

7. *The proposed resolution 7 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 7, if passed, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the total number of issued shares of the Company for the time being, subject to compliance with all other regulatory requirement 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 2 July 2020, which the authority shall lapse at the conclusion of this AGM.

8. *Despite having served as an independent non-executive director for almost 9 years, the Board, upon the assessment and recommendation of the nominating committee, is of the opinion that Lt Gen (R) Datuk Abdul Aziz Bin Hasan continue 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*

9. *The proposed resolution 9 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 27 April 2021 which is issued together with the Company's Annual Report 2020.

10. *The proposed resolution 10 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 varied 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 27 April 2021 which is issued together with the Company's Annual Report 2020.*

NOTICE OF ANNUAL GENERAL MEETING

Notes to the notice of AGM:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the AGM will be conducted by way of a fully virtual meeting through live streaming and online remote voting via the remote participation and electronic voting facilities ("RPEV") which is available on the online portal of Boardroom Share Registrars Sdn Bhd at https://web.lumiagm.com. Please follow the procedures provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPEV.*

2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Act. No shareholder/proxy shall be physically present at the meeting venue.*

3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 18 May 2021.*

4. *Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one 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.*

5. *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.*

6. *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. Such duly executed instrument appointing a proxy must either (a) be physically deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) be electronically deposited through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.*

HAP SENG

Creating
Value
Together

Hap Seng Consolidated Berhad 197601000914 (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 45th annual general meeting of the Company to be conducted by way of a fully virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 25 May 2021 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 2020 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. Leow Ming Fong @ Leow Min Fong as director of the Company.	Resolution 2		
4.	To re-elect Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah as director of the Company.	Resolution 3		
5.	To re-elect Mr. Wong Yoke Nyen as director of the Company.	Resolution 4		
6.	To approve the payment of directors' fees.	Resolution 5		
7.	To reappoint Messrs Ernst & Young PLT as auditors of the Company.	Resolution 6		
SPECIAL BUSINESS			**FOR**	**AGAINST**
8.	Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 7		
9.	To approve the continuation of Lt Gen (R) Datuk Abdul Aziz Bin Hasan as an independent non-executive director of the Company.	Resolution 8		
10.	To approve renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 9		
11.	To approve renewal of share buy-back authority.	Resolution 10		

Please indicate with a "√" in the spaces above on how you wish your votes to be cast. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this ______________ day of ______________ 2021

____
Signature(s)/Common Seal of Shareholder(s)

Notes:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the annual general meeting ("AGM") will be conducted by way of a fully virtual meeting through live streaming and online remote voting via the remote participation and electronic voting facilities ("RPEV") which is available on the online portal of Boardroom Share Registrars Sdn Bhd at https://web.lumiagm.com. Please follow the procedures provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPEV.*

2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Companies Act 2016. No shareholder/proxy shall be physically present at the meeting venue.*

3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 18 May 2021.*

4. *Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one 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.*

5. *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.*

6. *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. Such duly executed instrument appointing a proxy must either (a) be physically deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) be electronically deposited through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my, not less than 24 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
Registration No. 197601000914 (26877-W)
Reception Counter, Ground Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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www.hapseng.com

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