



# HAP SENG CONSOLIDATED BERHAD (26877-W)



## 2<sup>nd</sup> Quarter Ended 30 June 2017 Results

25 August 2017

# Scope



1 Group financials

2 Operations review

## SECTION 1

### ● Group financials







# Consolidated income statement summary

- The Group revenue for the current quarter and YTD were 7% and 9% above the corresponding period last year respectively with higher YTD revenue from Plantation, Property, Automotive and Building Materials Divisions.
- The Group operating profit for the quarter and YTD were 35% and 27% above the corresponding period last year respectively with higher contribution from most Divisions.
- The lower EPS for the current quarter and YTD were mainly due to the enlarged share capital arising from warrants exercised and treasury shares resold in later period last year.

(RM' Million)	2Q17	2Q16	Change	YTD 2016	YTD 2016	Change
Revenue	1,306.3	1,216.8	7%	2,482.4	2,268.3	9%
Gross profit <sup>1</sup>	357.4	286.5	25%	679.3	527.1	29%
EBITDA	271.4	205.3	32%	569.9	451.9	26%
Operating profit <sup>2</sup>	238.3	176.3	35%	503.3	397.6	27%
Finance expenses	(34.1)	(32.2)	6%	(75.2)	(66.0)	14%
Profit before tax	701.5	659.4	6%	926.4	845.7	10%
Taxation	(52.8)	(37.1)	42%	(106.5)	(75.1)	42%
Profit after tax	648.7	622.3	4%	819.9	770.6	6%
Attributable to MI	19.0	15.7	21%	35.8	23.8	50%
Attributable to shareholders	629.7	606.6	4%	784.1	746.8	5%
EPS (sen)	25.29	26.26	(4%)	31.49	33.31	(5%)

Note:

1. Includes share of Inverfin's PBIT
2. Includes Interest Income, Share of Inverfin's PBIT by Property Division and share of associate and JV's PAT by Hafary



# Group segment results

(RM' Million)	REVENUE			OPERATING PROFIT			REVENUE			OPERATING PROFIT		
	2Q17	2Q16	Change	2Q17	2Q16	Change	YTD 2017	YTD 2016	Change	YTD 2017	YTD 2016	Change
Plantation	133.5	110.6	21%	40.4	28.7	41%	277.6	214.7	29%	86.5	52.3	65%
Property	224.7	189.2	19%	134.1 <sup>1</sup>	90.2 <sup>1</sup>	49%	431.4	371.3	16%	249.5 <sup>1</sup>	169.9 <sup>1</sup>	47%
Automotive	284.7	299.0	(5%)	5.2	7.2	(29%)	541.8	527.3	3%	13.8	13.9	(1%)
Fertilizer Trading	276.7	287.9	(4%)	11.4	11.3	1%	490.3	572.6	(14%)	18.4	17.7	4%
Credit Financing	44.2	45.3	(3%)	40.6	37.8	7%	87.8	88.8	(1%)	75.3	74.1	2%
Building Materials	370.0	311.8	19%	16.8 <sup>2</sup>	13.4 <sup>2</sup>	26%	714.6	548.3	30%	79.5 <sup>2</sup>	111.9 <sup>2</sup>	(29%)
Subtotal	1,333.8	1,243.8	7%	248.5	188.6	32%	2,543.5	2,323.0	9%	523.0	439.8	19%
Consolidation adjustments & others	(27.5)	(27.0)		(10.2)	(12.3)		(61.1)	(54.7)		(19.7)	(42.2)	
Group	1,306.3	1,216.8	7%	238.3	176.3	35%	2,482.4	2,268.3	9%	503.3	397.6	27%

Note:

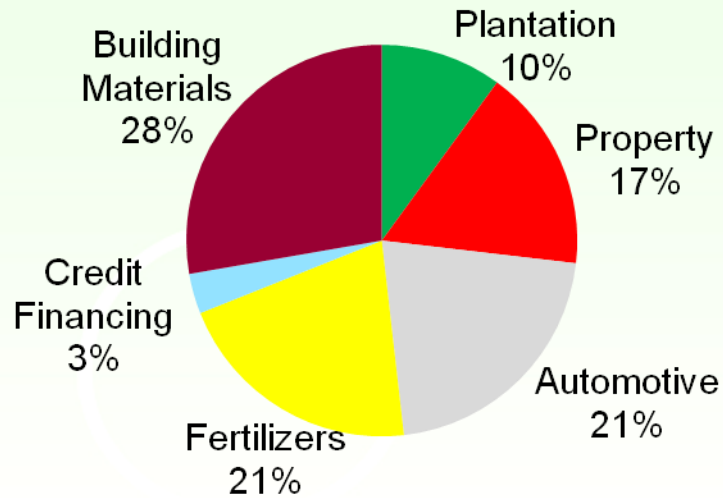
1. Includes share of Inverfin's PBIT from Menara Citibank
2. Includes share of associate and JV's results by Hafary



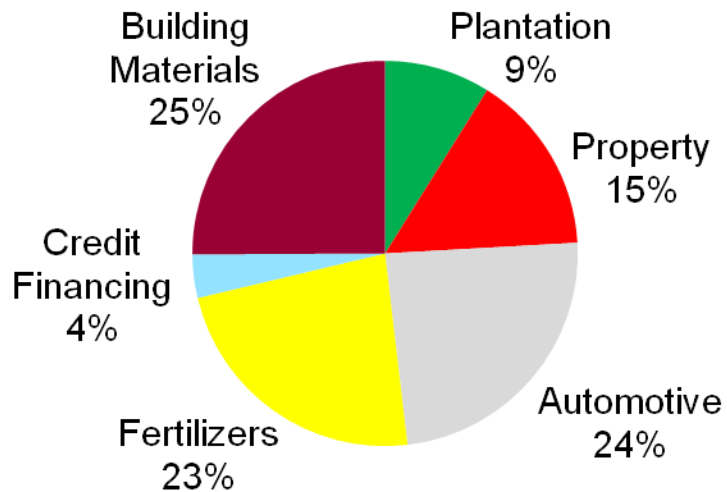
# Group segment results – 2<sup>nd</sup> Quarter

## Revenue

2Q17

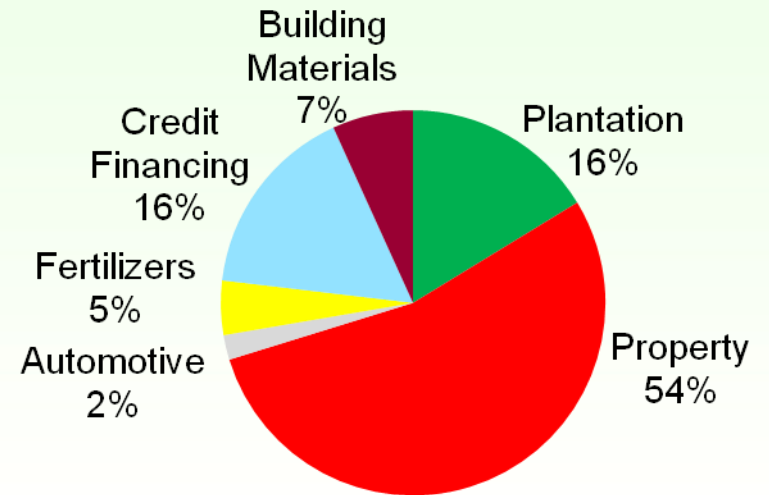


2Q16

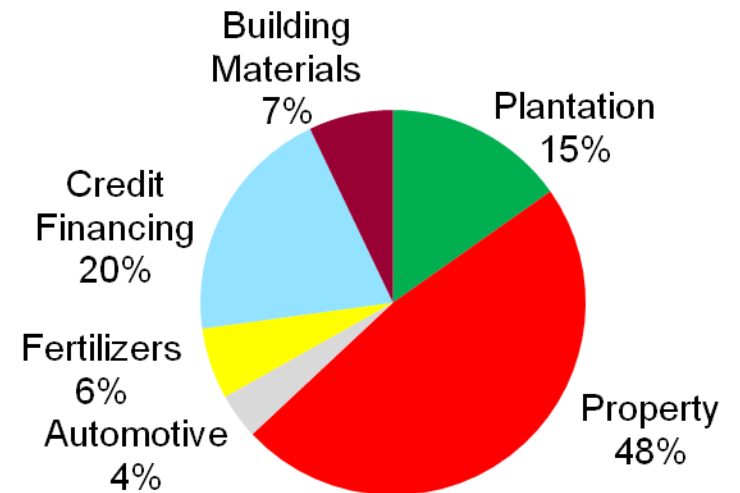


## Operating Profit

2Q17



2Q16

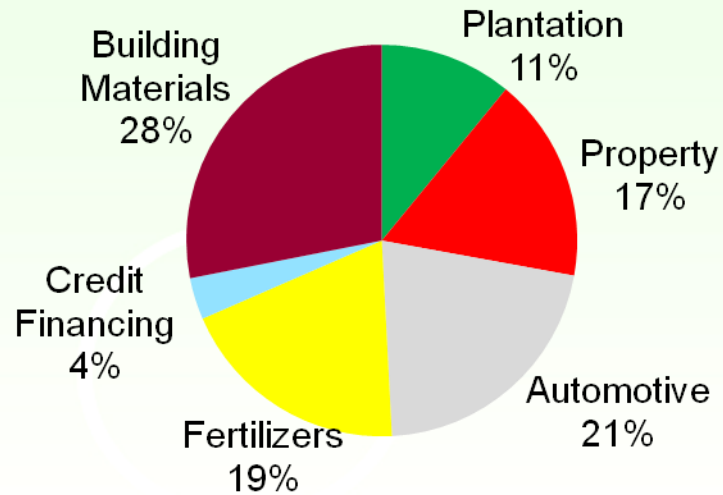




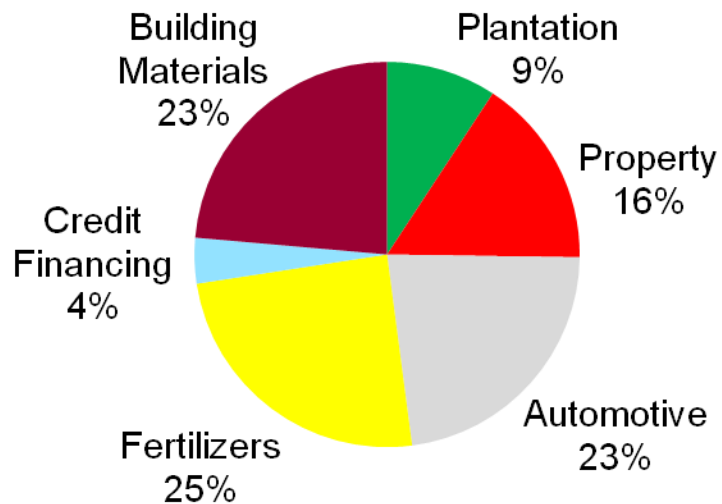
# Group segment results – YTD June

## Revenue

YTD June 2017

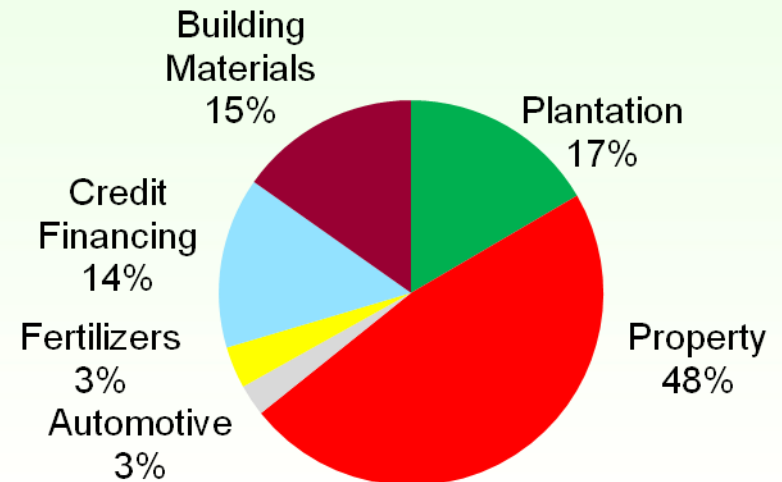


YTD June 2016

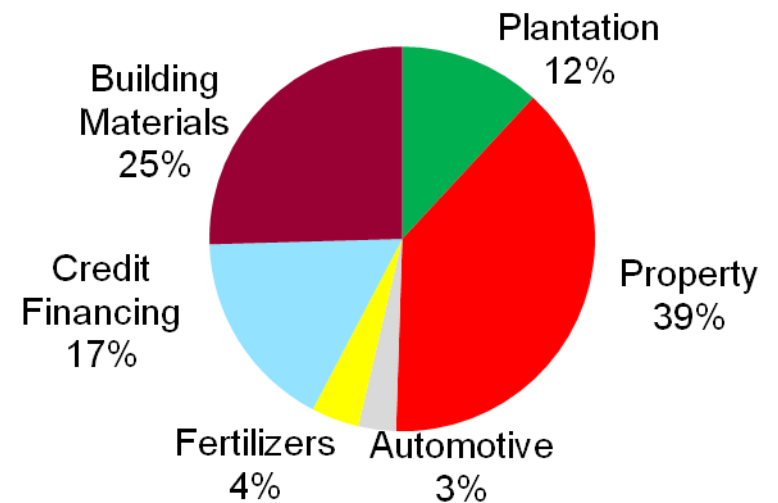


## Operating Profit

YTD June 2017



YTD June 2016



## SECTION 2

### ● Operations review







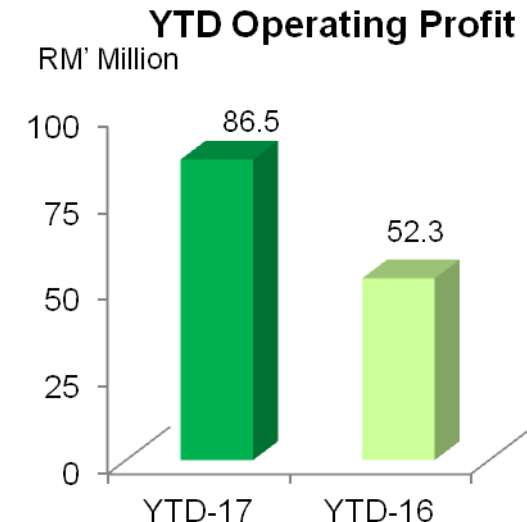
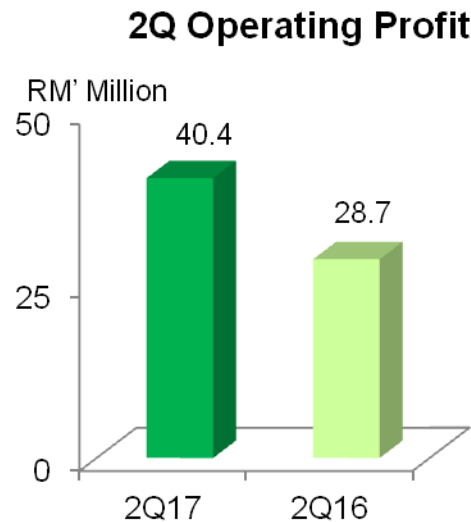
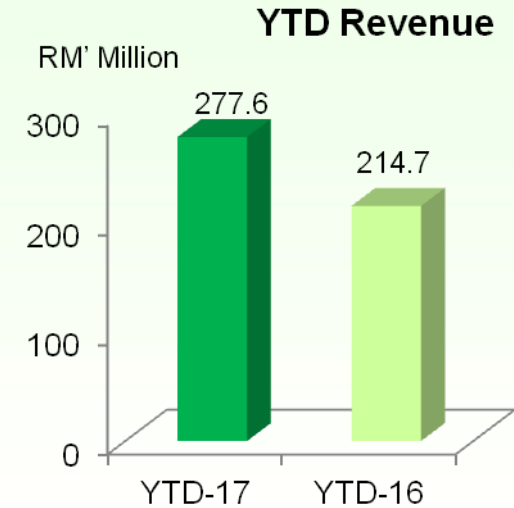
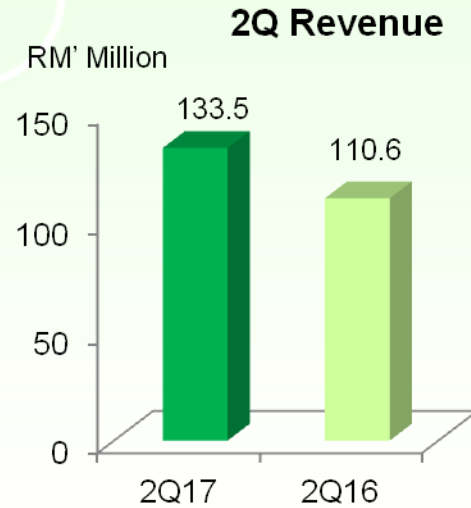
# Plantation

## Results supported by higher selling prices and sales volume

- ❑ The Division's revenue and operating profit for the current quarter were 21% and 41% above last year due to higher sales volume of both CPO and PK and higher price realization of CPO.
- ❑ The YTD revenue and operating profit were above last year by 29% and 65% respectively due to higher sales volume and higher price realization of both CPO and PK.
- ❑ The average price realization and sales volume of CPO and PK were as follows:

	2Q17	2Q16	YTD-17	YTD-16
Price				
• CPO	2,897	2,661	3,076	2,510
• PK	2,142	2,411	2,658	2,239
Sales Volume				
• CPO	39,009	32,928	75,284	69,969
• PK	8,693	8,523	15,876	15,501

- ❑ Unit production costs of CPO for 2Q17 was at RM1,349/mt (2Q16: RM1,281/mt) and RM1,441/mt for the current YTD (YTD 2016: RM1,376/mt).
- ❑ The YTD unit production costs were affected by lower CPO production volume due to lower OER at 20.2% (YTD 2016: 21.5%) and, higher employment and logistics costs.



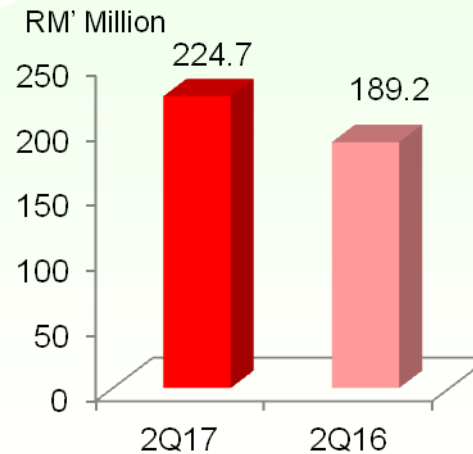


# Property

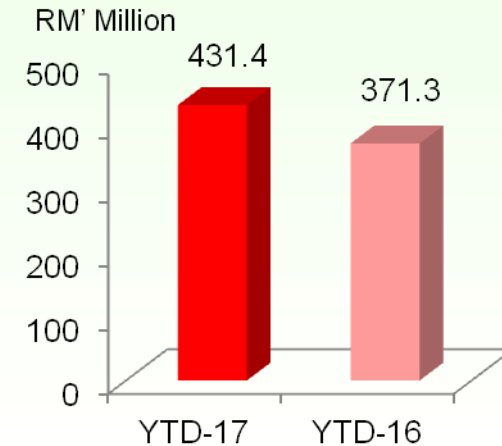
## Encouraging take up rate for new projects

- ❑ The Division's revenue and operating profit for the current quarter and YTD benefitted from higher sale of non-strategic properties.
- ❑ Project revenue for the current quarter and YTD were partly affected by the timing of projects:
  - Last year, projects revenue benefitted from higher contribution from Nadi Bangsar project which were at the advanced stage of development with almost fully sold units.
  - This year, the Aria and Akasa Cheras South projects in the Klang Valley and Kingfisher Putatan and Kingfisher Inanam Condominiums in Kota Kinabalu are still in early stage of construction, with encouraging take up rate.
- ❑ Investment properties ("IP") recorded higher revenue with higher occupancy rates at Menara Hap Seng 2 and plaza Shell Kota Kinabalu. However, operating profit from IP were at about the same level as last year due to higher operating expenses.
- ❑ Work on the Menara Hap Seng 3 has commenced in August 2017.

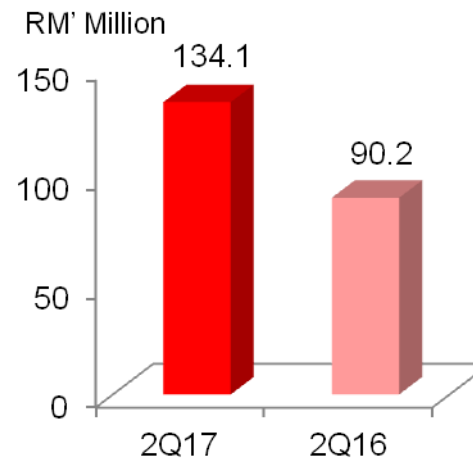
### 2Q Revenue



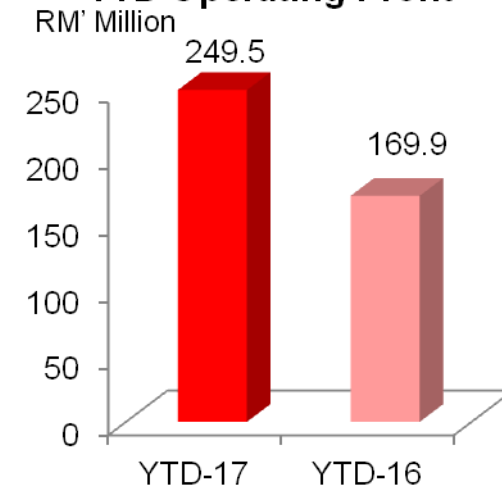
### YTD Revenue



### 2Q Operating Profit



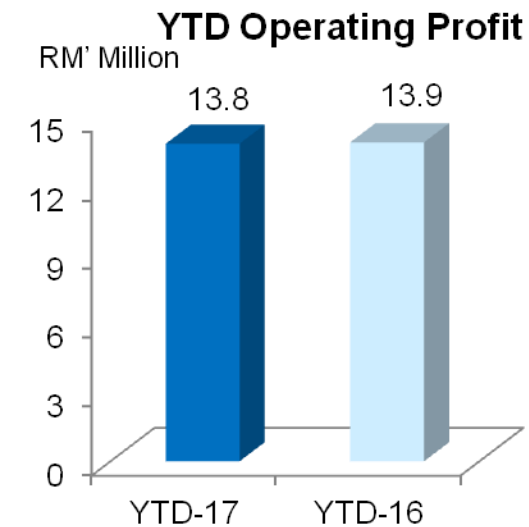
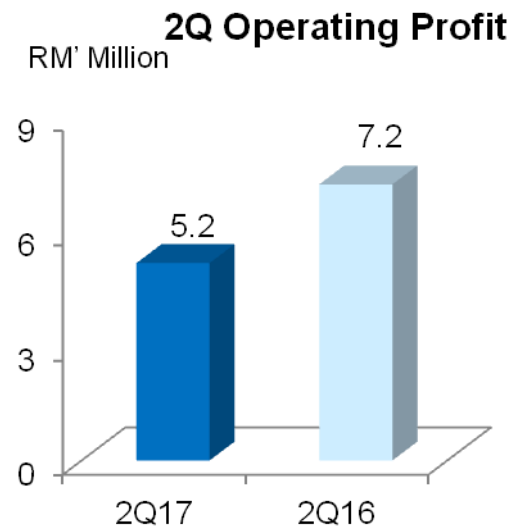
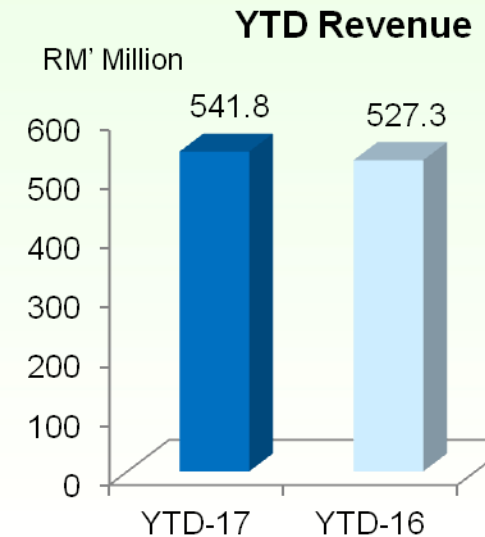
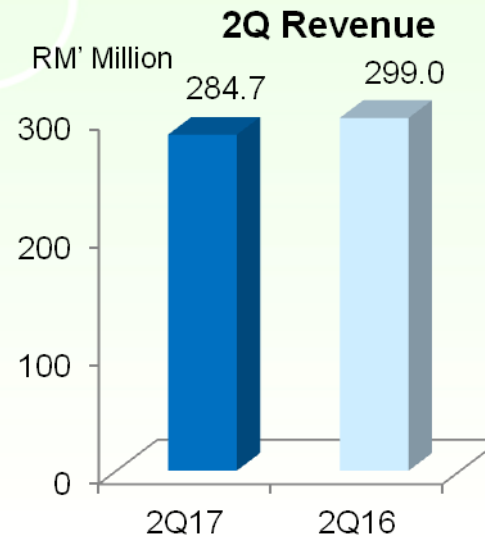
### YTD Operating Profit





## Higher sales volume and aftersales throughput

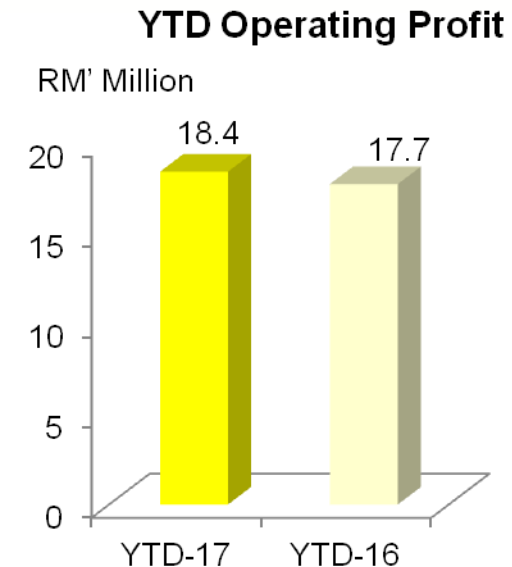
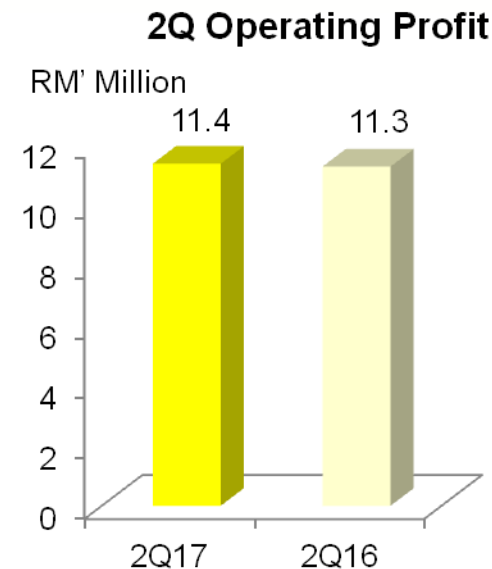
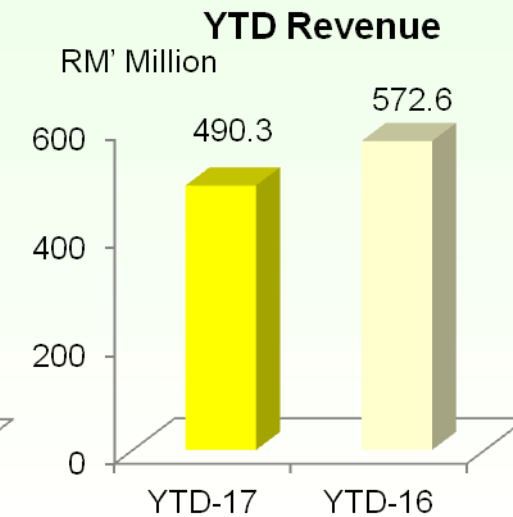
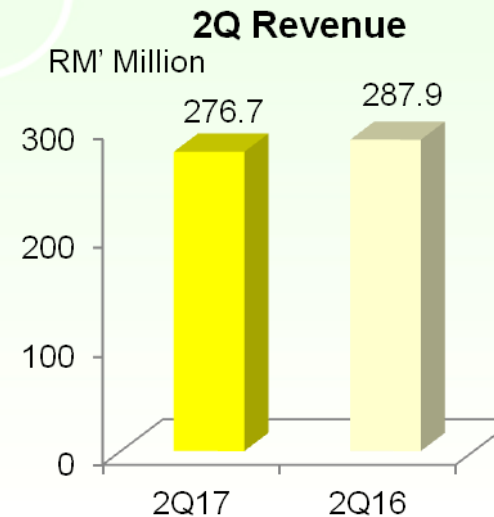
- ❑ The Division's revenue for the current quarter was 5% lower than last year due to inclusion of the revenue from commercial vehicles operations in last year period. Passenger vehicles operation's revenue for the current quarter and YTD grew by 2% and 8% respectively.
- ❑ Vehicles sales volume and after sales throughput grew by double digit in current quarter and YTD as compared to last year period, resulting in higher YTD revenue for the Division.
- ❑ The 8<sup>th</sup> autohaus in Malaysia (5<sup>th</sup> in Klang Valley) was officially opened at Bukit Tinggi Klang in April this year. Another 2 new autohaus are expected to be opened in the 2<sup>nd</sup> half of this year.
- ❑ Operating profit for the current quarter and YTD included the initial start up costs for these network expansion.
- ❑ Market share for MBM passenger cars increased to 36.7% as of June 2017 compared to 32.6% a year ago.





## Better margin for Malaysian operations

- Division's revenue for the current quarter and YTD were lower than the corresponding period last year mainly due to lower contribution from the Malaysian and Indonesian operations.
- Revenue from the Malaysian and Indonesian operations were dampened by competitive tender pricing which adversely affected sales volume and selling prices.
- Nonetheless, the Division's operating profit for the current quarter and YTD were above previous year corresponding period by 1% and 4% respectively, benefitted from better average margins achieved.



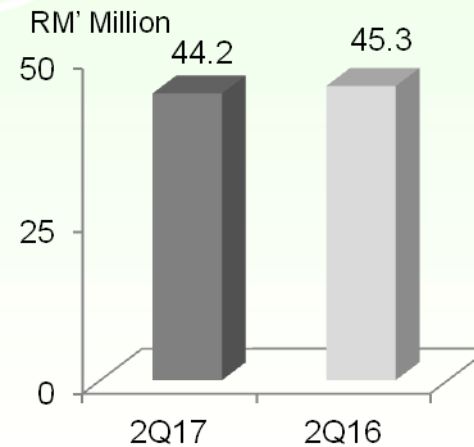


# Credit financing

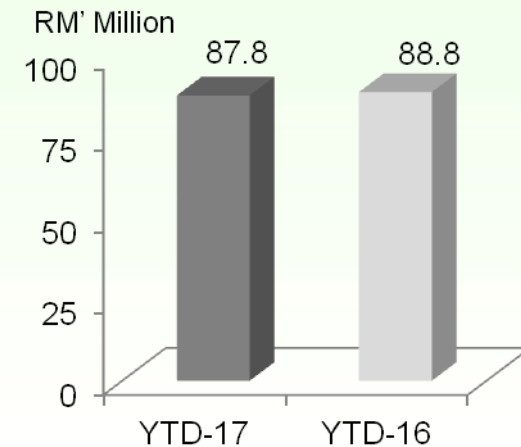
## Loan base grew 13%

- ❑ The Division's revenue for the current quarter and YTD were lower than the corresponding period last year due to lower average interest yield.
- ❑ Nonetheless higher operating profit were recorded for the current quarter and YTD due to favourable movement in individual impairment.
- ❑ Total loan base as at end June 2017 was at RM2.5 billion, 13% above RM2.2 billion as at end June 2016.
- ❑ NPL ratio as at end June 2017 improved to 1.96% as compared to 2.10% in the corresponding period last year.
- ❑ In Malaysia, West Malaysia accounted for 81% of the total loans whilst East Malaysia accounted for 19%.
- ❑ Operations in Australia commenced in the current quarter.

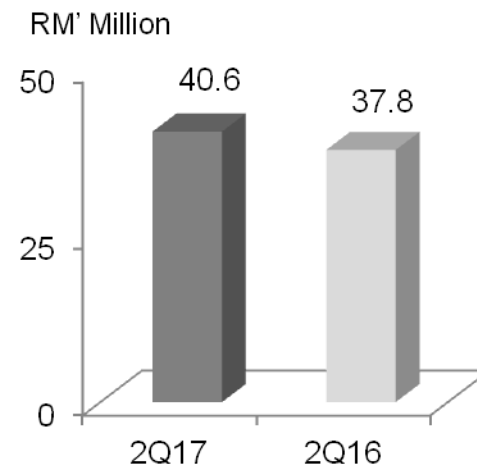
### 2Q Revenue



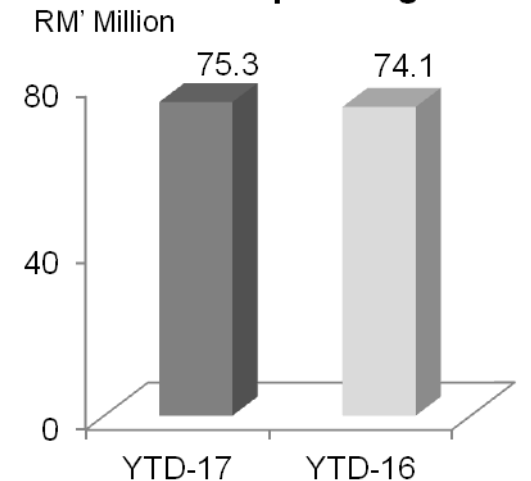
### YTD Revenue



### 2Q Operating Profit



### YTD Operating Profit





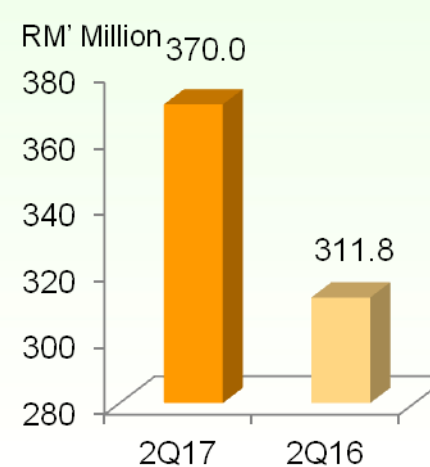


# Building Materials

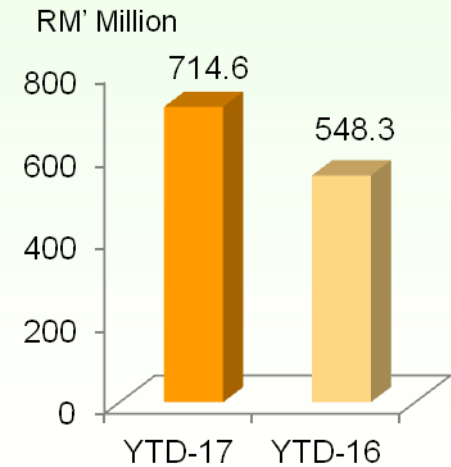
## Higher revenue from Hafary and MMSB

- ❑ The Division's revenue for the current quarter and YTD were above the previous year corresponding period by 19% and 30% respectively due to higher contribution from Hafary and MMSB.
- ❑ The overall YTD operating profit was dampened by adverse market condition with slow demand and compressed margin due to competitive pricing.
- ❑ Nonetheless, improvement was recorded for the current quarter. Operating profit was higher than last year by 26% .
- ❑ Operating profit for last year's YTD included a gain of RM91.2 million from the disposal of certain properties as compared to the current YTD gain from disposal of properties of RM57.9 million.

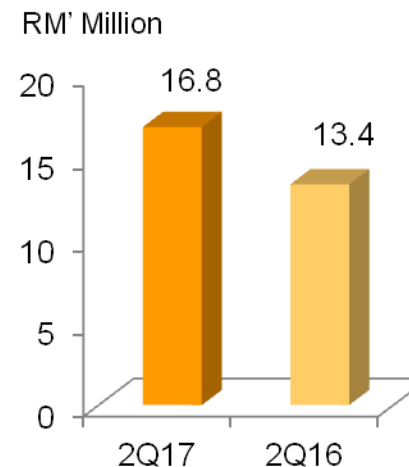
### 2Q Revenue



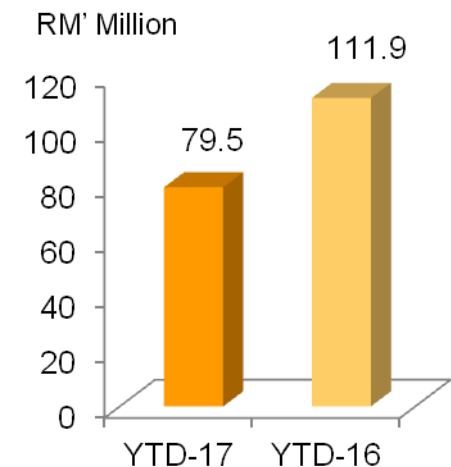
### YTD Revenue



### 2Q Operating Profit



### YTD Operating Profit



# Thank You

